

30 August 2023

To the Distribution Pricing policy team,

Introduction

1. Thank-you for the opportunity to make this cross-submission. We welcome working with the Electricity Authority (the Authority) to ensure distribution pricing delivers long-term benefits to consumers.
2. We have reviewed the submissions made in relation to the Authority's Distribution Pricing Consultation and note the similarity of many of the submissions and themes that emerged reflecting some of the concerns we raised through our original submission.
3. Submitters across the sector were supportive of cost reflective pricing and highlighted how many distributors are already well advanced with pricing reform. A common theme however was the dependency on smart meters and a lack of pass-through by retailers.

Retail and Lack of Pass-through

4. While the Consultation paper examined issues associated with distribution pricing, nearly all submitters raised concerns about the lack of pass-through including distributors and some retailers themselves. Without pass through the pricing signals will not function as intended as a nudge for customers to change their behaviour, undermining the effectiveness of the Authority's efforts focussed on distribution pricing reform.
5. However, a number of retailers were opposed to any changes in this space and noted the limitations they are currently working within.
6. Although parties differed in the approaches the Authority should take, as a bare minimum, many parties have suggested the Authority needs to be working with retailers to ensure they are doing everything possible to update their systems to meet the needs of half-hourly data and TOU pricing signals. We agree that this is a key enabler and a foundational action that the Authority should take now.
7. The submissions clearly highlight work is needed to address pricing signal pass through. The issue is complex and requires striking an appropriate balance between enabling innovation and customer choice and ensuring customers receive pricing signals they can act on. One option could be that all customers have a pass-through option from a retailer, which enables customer choice and ensures retailers are still free to offer innovative products.
8. Suggestions were also made to help with smart meter uptake. Smaller retailers noted smart meters were essential to their business and suggested retailer legacy systems should not hinder the ability to see the benefits of TOU pricing. This is of particular importance in Northland as it results in increasing inequality as our most deprived customers have the lowest penetration of smart meters. It is important that the Authority provides its position on smart meter uptake and how it sees the gap being addressed.

Flexibility Needed

9. All submitters, to differing degrees, noted the need for flexibility for EDBs to price according to their specific situation. Greater guidance (rather than regulation) was recommended by many, including through the score-card process.
10. We agree that flexibility is critical, as New Zealand networks are all dealing with different issues (e.g. rapid growth from decarbonisation, high levels of network renewal, declining load growth), and providing flexibility within a framework is important to deliver appropriate outcomes for communities.

Lack of Analysis

11. Of further concern was the lack of analysis undertaken for the new issues raised, both targeted revenue allocation and connection pricing, within the Consultation Paper. Submitters overwhelmingly asked for more detailed understanding of the problem statement and greater analysis.
12. Most submitters suggested working closely with the ENA before any next steps are taken. We support the need for a deeper understanding of the issues before any solutions are preferred, to avoid the risk of unintended consequences and poor consumer outcomes.

Consumer Engagement

13. More engagement with consumers was suggested by several submitters to understand their needs. Some went so far as stating they were concerned with the reluctance of the Authority to seek consumer input. This is key to the Authority meeting its objectives of promoting competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.
14. We agree more engagement is needed with both consumers and the sector. The Authority needs to actively be engaging with consumers, distributors, and retailers, and testing any proposals with these impacted parties.

Disconnect between Regulators

15. Several submitters noted the disconnect between the regulators and suggested that pricing regulation sits firmly with the Commerce Commission and Part 4 of the Commerce Act, and the Commission should be taking the lead in this area. While structural change is outside the remit of the Authority, at the very least the Authority should be working more closely with the Commerce Commission in this space.

Timing of review and implementation

16. Again, several submitters questioned the timing of this review and the difficulties to meet these requirements should the Authority introduce them in April 2024, as suggested. Distributors are already starting their pricing consultation and change processes for 1 April 2024. In our case, this process will largely be completed by October 2023.
17. If the Authority intends to make any changes, there needs to be sufficient lead in time to allow distributors the ability to implement any changes.

Conclusion

18. Again, thank you for the opportunity to make a cross-submission on the 'Targeted Reform of Distribution Pricing – Issues Paper'.
19. If you have further queries regarding this cross-submission do not hesitate to contact Jane Budge, Regulatory and Compliance Manager, Northpower, on jane.budge@northpower.com or phone (021) 393-112, or Simon Boccock, Commercial and Pricing Manager, Top Energy, on simon.boccock@topenergy.co.nz or phone (027) 296 8347.
20. Also as mentioned in our initial submission we are happy to host the Authority and if you are interested in taking up our offer do not hesitate to contact either Jane or Simon.

Yours faithfully,



Josie Boyd

Chief Operating Officer (Network)
Northpower Ltd

Russell Shaw

Chief Executive
Top Energy Ltd