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Energy Trusts of New Zealand Incorporated (ETNZ**)** welcomes the opportunity to provide feedback on the Electricity Authority's (EA's) consultation on 'Requiring distributors to pay a rebate when consumers supply electricity at peak times'.

ETNZ is the collective voice of consumer-owned power distribution in New Zealand. We advocate on behalf of regional energy trusts throughout New Zealand. These Trusts are owners of companies operating electricity distribution networks on behalf of local consumers and communities.

Twenty of New Zealand's 29 EDBs are Trust owned – either in part or full. It is the dominant ownership model. Trust owned EDBs supply electricity to over one and a half million customers and collectively have over $9 billion in network assets. Crucially these networks are owned by their customers which ensures they can strike an appropriate balance between affordability of prices to current customers and investing in an increasingly critical piece of community infrastructure for future generations.

By virtue of their ownership model, trust-owned networks are naturally incentivised to act in the best interest of their customers. Our members are active in their communities – their profits are returned to their customers, they provide local sponsorships and fund community initiatives and they are significant employers in their regions.

We are concerned that the proposed changes outlined in the consultation paper will have the effect of increasing costs for the vast majority of existing customers. The Authority openly acknowledge this in the consultation paper. As evidenced with the EA's recent consultations on reducing upfront connection charges there is a disturbing trend emerging of creating subsidies for some customer groups and by virtue of doing so increasing the costs for the rest of a Distributor's customers.

The costs of battery energy storage systems (and solar PV systems which these usually form a part of) are significant. As such they are unaffordable for the vast majority of electricity consumers. The proposed changes represent a wealth transfer from customers already struggling with the cost of living to more affluent customers able to invest in home batteries. What's more the manner in which this is proposed is highly unlikely to reduce the costs to the Distributor. As is stands the proposed change is a thinly disguised incentive to try to encourage more deployment of battery energy storage systems. Our customers should not be the ones paying for this.

ETNZ is opposed to subsidising owners of battery storage systems through increased charges to other customers

The anticipated benefits to distributors are small.
Before any changes are made, we urge the Authority to engage with the industry to determine a methodology to value the true benefit of deferring network investment. In doing so we expect the resultant value to be relatively small for the following reasons,

- The Authority wishes to focus on benefits that could be realized several years away – the time value of money significantly dilutes the actual benefit.
- The cost of constructing networks is escalating at rates well above the cost of inflation due to resource shortages and equipment availability. Deferring investment that will cost more in the future can easily result in higher overall prices for customers.
- The proposal talks about using the long-term marginal cost of building the network. Distribution networks are a series of network layers, and it is unlikely all layers will be congested at the same time.
- Any estimated savings need to be based on the lowest cost alternative to the investment.
- Finally, a portion of the saving should be reserved for customers. Transferring the full value of the benefit from one group to another will not result in lower customer bills.

The analysis provided in Appendix A of the consultation document is flawed and does not take the above considerations into account.

The proposed approach is likely to lead to overpayment and/or no benefit delivered.

The consultation paper is confused as to what it is trying to achieve. Throughout the paper there are references to reducing network peaks when it is constraints that drive network investment. Similarly, the paper refers to uptake incentives. By trying to address a range of objectives the Authority has devised a scheme that is likely to deliver little, or no, benefit yet will cost existing network customers more money.

The proposed approach is too broadbrush. This will lead to a number of undesirable outcomes.

Situation	**Outcome**
Customers outside constrained areas discharge batteries and are paid for doing so	Overpayment
Customers in constrained areas provide more discharge than is needed to relieve the constraint	Overpayment
Customers in constrained areas do not provide enough discharge to relieve the constraint	No benefit (and overpayment)

The optimal outcome is for the network to relieve a constraint through a competitive process that ensures benefit is received and paid for at the lowest possible price. Anything outside this means higher prices for customers.

The paper notes that procuring flexibility through aggregators is another potential avenue but fails to provide any analysis as to why a tariff-based approach is preferred. It is also noted that direct procurement does not seem to have worked. That may well be because of the difficulty of implementing these arrangements with low levels of penetration of DERs.

The proposed approach will result in increased administration costs.

The Authority has ignored the increased administrative burden on the sector that would arise from the proposed changes. This will result in additional costs that will ultimately fall on customers.

As noted above, granular tariffs are required to ensure networks do not overpay for a benefit and this benefit is directed to where it is needed. Once constraints are relieved there is no benefit to be gained, and these tariffs will need to be changed. The cost and effort of actively managing an increased number of tariffs will fall on retailers and should be assessed as part of this process.

Why is Transpower excluded?

If the Authority's argument is that reducing peaks reduces costs for consumers why does the proposed change not include Transpower? As with recent consultations the Authority is once again showing a bias towards the largest network over distribution networks. Clarification as to why Transpower should be treated differently is missing from the consultation.

Take an energy centric view of costs

The Authority makes a sweeping statement around the level of investment required and how even a small saving in this could result in lower future bills for consumers. This highlights the Authority's inability to look at the wider energy benefits of building to enable the energy transition. The attendant savings once transitioned are huge and dwarf any potential investment savings. The Authority's electricity-centric view is hampering progress towards delivering real savings for homes and businesses.

Adopt an evidence-based approach to regulatory change

The Authority has been working on distribution pricing reform for some time. Central to this work is the theory that customers will respond to price signals and adopt new behaviours thereby shifting consumption away from peaks. Prices provide choice, and it may well be that consumers are choosing to pay higher charges rather than change behaviours. Now that many customers have cost-reflective pricing options surely it is time to see if behaviours have changed as expected. If there is no evidence to support this then there is little merit in continuing with further reform.

Summary

Given the current concerns around energy security over winter we imagine the Authority would not be prioritizing this work over more urgent matters. Therefore, there is ample time to reconsider this workstream. In summary we ask that the EA:

1. Slow down the current process and take the time to
   a. Review whether wider distribution reform is delivering expected benefits to customers, and
   b. Work with network companies to determine a means of valuing the benefit of relieving network constraints.

If the Authority chooses to continue with this work, then we do not support it being embedded in the Code. Creating more regulation is not the answer. It is telling that in Australia, which is the most highly penetrated solar PV country, they have decided to introduce non-binding guidelines.

Should you wish to discuss any of the points raised above please feel free to contact me through the ETNZ stakeholder manager Cathie Bell on [redacted] or [redacted]. We are increasingly concerned at the growing number of initiatives that are shifting costs onto customers already struggling with the cost of electricity.

Yours sincerely

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Richard Allison
Chair
Energy Trusts of New Zealand Inc.