keeping you connected.

the lines company

26 March 2025

Electricity Authority
Level 7
AON Centre
1 Willis Street
Wellington 6011

Via email: taskforce@ea.govt.nz

1. **Energy Competition Task Force initiative 2A: consider requiring distributors to pay a rebate when consumers export electricity at peak times**

2. **Energy Competition Task Force initiatives:**
   (a) 2B: consider requiring retailers to offer time-varying consumption pricing
   (b) 2C: consider requiring retailers to better reward consumers for supplying power

The Lines Company (TLC) appreciates the opportunity to provide feedback on the Electricity Authority's (Authority) consultation papers. We provide one submission for both consultations.

Introduction

The Authority is seeking feedback on two consultation papers about new ways to empower electricity consumers. These consultations propose:

1. *requiring distributors to pay a rebate when consumers supply electricity at peak times;*
2. *requiring retailers to offer time-varying consumption pricing;*
3. *requiring retailers to fairly reward consumers with power generation systems for the electricity they supply at peak times.*

TLC, in principle, supports the objectives of the Energy Competition Task Force (Task Force) and Authority to enhance supply security and reduce consumer costs by promoting small-scale solar-and-battery investments and mandating retailers to provide more time-of-use plans. Additionally, we support the initiative to review the distributed generation pricing principles (DGPPs).

We provide a response to initiative 2A in Appendix A, and broad commentary on 2B and 2C in this document. We will review submissions and may provide a cross-submission, if necessary. We will comment separately on the DGPPs.

Summary

TLC is a supporter of initiatives that reduce costs and can assist in deferment of network upgrades, whilst maintaining the quality of supply for customers.

TLC supports the idea of retailers passing savings to customers but does not believe this should be mandatory. We recognise that pass-through can occur through various mechanisms and does not need to directly reflect our prices. It is our view that savings could enable retailers to create innovative packages that encourage customers to shop around and encourage the utilisation of distribution networks that help defer network costs.

We also feel the Authority's recent multiple regulatory interventions have been time-consuming and not necessarily prioritised. For example, TLC believes a short list of priorities and where we need focus includes:

- wholesale market and electricity spot prices;
- industry education of customers around multiple areas:
  - ensuring customer solar and battery investments are efficient and investments are not as a result of a sales pitch (i.e. how can the Authority regulate and educate in this market?);
  - ensuring customers know that any rebate available now may not be available or applicable in the future;
  - educating customers about switching and making this simpler. We note that it can be difficult working through retailers pricing and most retailers do not make their prices easily available.

Conclusion
In conclusion, TLC is supportive of any proposal that can defer network investment, whist maintaining quality of supply, and providing cheaper prices for consumers, long term. We recommend that:

- a principles-based rather than a regulatory prescriptive approach to be adopted for initiative 2A;
- the Authority initiates/contributes to an education campaign for customers on multiple topics and focuses on priorities with material impacts.

TLC is supportive of, and is party to, the submission made by Electricity Networks Aotearoa (ENA). For further information, please contact me on [redacted]

Yo [redacted]

Kyl

Pricing, Regulatory and Commercial Manager

Appendix A: Format for submissions – 2A: Requiring distributors to pay a rebate when consumers supply electricity at peak times

Questions	Comments
Problem definition	
Q1. Do you agree with the problem definition above? Why, why not?	Although already addressed in the distribution pricing principles, TLC concurs that the increase in two-way electricity flows could provide distributors with more opportunities to encourage mass-market customers to inject during peak times, thereby alleviating upstream constraints and reducing network costs. TLC acknowledges that even if increased injection from mass-market consumers only slightly reduces or defers future investment, it could ultimately result in long-term savings for both distributors and consumers. The Authority says at 4.9 that, "*Customers will generally choose the size of their DG investment in response to price signals; in other words, the size is based on what is most economic for them.*" TLC recognises that certain customers may possess sufficient knowledge and interest to navigate this process independently. However, it has been observed that investments in distributed generation (DG) are often influenced by the sales tactics of solar sales representatives, who may emphasise capital outlay (can be zero, but a long-term agreement) without adequate consideration of price signals. For example, we have experienced customers having difficulty with power switching facilitators, especially with the increased complexity and options for pricing. What is needed by all industry participants is education and awareness for consumers and greater promotion of efficient initiatives. The Authority has an important part to play here, too. Additionally, customers may unintentionally negatively affect the distribution network by injecting electricity, potentially leading to increased costs. This situation can result in fluctuating prices for customers, causing confusion and inefficient investment.
Proposed solution: principles-based rebates	
Q2. Do you agree with these principles? Why, why not?	The Authority is proposing a principles-based rebates approach. That is, to require distributors to reward injection from mass-market consumers in circumstances where it benefits the network. TLC agrees that allowing distributors flexibility is appropriate with payments, if applicable, being appropriately targeted, reducing the prospect of unintended and inefficient subsidies.

<table>
<tr>
<td>Q3. Do you agree that the principles should only apply to mass-market consumers, or should they apply to larger consumers and generators also? Why, why not?</td>
<td>The distributed generation pricing principles (DGPP) already caters for ACOD, hence including larger consumers and generators in this proposal is not necessary. It is important to allow prices to be changed without being baked into contracts as network constraints change over time.</td>
</tr>
<tr>
<td>Q4. Do you agree the principles should apply to all mass-market DG, including inflexible generation (noting that the amount of rebate provided will still be based on the benefit the DG provides)?</td>
<td>TLC considers it reasonable for inflexible mass-market distributed generation (DG) to be included in the proposal. The crucial factors are the timing and locations of the generation. If these connections do not meet the established criteria and no benefits are evident, they would be assigned a price of $0.000 per kWh. Conversely, if a connection's generation results in costs being incurred, the generation may incur a bill.

An issue TLC raises with the mass-market proposals are price category code requirements, and the Authority may have to first reform these before proceeding. Many distributors have price category codes that cover reasonably large areas of their networks. Hence, applying one EG price across the network would double the number of codes; two EG prices would treble the number of codes, and so on.

In TLC’s distribution pricing scorecard 2023[1], the Authority comments under Key messages: We recommend that TLC simplify the number of tariff codes across the network. (Planned for 2025).

TLC would appreciate the Authority providing guidance on the operational aspects of price category codes with this proposal.</td>
</tr>
<tr>
<td>Q5. Do you agree with the direction of the guidance that would likely accompany the principles? Why, why not?</td>
<td>Summarised, the draft guidance is:

<table>
<tr><th>Principle</th><th>Description</th></tr>
<tr><td>(a)</td><td>Distributors to identify where consumers' injection can reduce peak demand and avoid future network investment.</td></tr>
<tr><td>(b)</td><td>Distributors to reward injection at times that provide network benefits, affecting future demand forecasts.</td></tr>
<tr><td>(c)</td><td>Rebate levels based on the amount of network benefits the injection provides.</td></tr>
<tr><td>(d)</td><td>Distributors to share network benefits value with customers responsible for the injection.</td></tr>
<tr><td>(e)</td><td>Stable distribution price signals may encourage consumer investment in DG.</td></tr>
<tr><td>(f)</td><td>Once sufficient DG is on the network, additional injection value may be lower.</td></tr>
<tr><td>(g)</td><td>Consider feasibility of retailers passing through complex price signals to consumers.</td></tr>
<tr><td>(h)</td><td>Too much injection when demand is low can cause export congestion or voltage issues.</td></tr>
</table>

TLC is comfortable with the direction of the guidance and requests that any guidance be developed and released in a</td>
</tr>
</table>

[1] https://www.ea.govt.nz/documents/3891/The_Lines_Company_uDEwxX9.pdf

	timely manner.
Q6. Are there any additional issues with the principles where guidance would be particularly helpful?	Included in any guidance, the following would be helpful: defining and measuring network benefits, the appropriate level of rebates and price category code operation expectations.
Q7. Do you agree the principles should be incorporated within the Code, rather than being voluntary principles outside the Code? Why, why not?	We do not believe any principles need to be 'codified'. What we do like is the Authority proposing to target perceived non-compliant distributors, instead of blanket Open Letters address to all distributors – which creates media attention about the entire industry. The Authority must ensure any compliance obligations, including reporting, must be at the least possible cost.
Q8. Do you agree with the proposed implementation timeline for this proposal? If not, please set out your preferred timeline and explain why that is preferable.	The Authority are proposing that the Code amendment would come into effect on 1 April 2026. We appreciate that the Authority says there is an urgent need to provide consumers with more options to manage their energy bills so benefits can be more quickly realised, but to enable distributors to achieve this would be difficult, rushed and potentially contain errors. If implemented, TLC would recommend an implementation date of 1 April 2027. If the Authority insists on a 1 April 2026 commencement date, TLC recommends that the Authority work through issues regarding Information Disclosure with the Commerce Commission to enable a this e.g. a blanket exemption so early disclosure of Pricing Methodologies is not required.
Q9. Do you agree the proposal strikes the right balance between encouraging price-based flexibility and contracted flexibility? Why, why not?	TLC has a conveyance agreement with electricity retailers. This means that retailers act as agents for TLC and we maintain a direct contractual relationship with consumers. Accordingly, we would look to promote this initiative to help ensure that consumers can respond. This may include requesting consumers to make an application to enable benefit and allow us to provide education to consumers, including shopping around for retailer pricing plans that would reflect our injection prices/rebates.
Q10. Do you agree the proposal will lead to relatively minor wealth transfers in the short term, and will lead to cost savings for all consumers in the longer term?	TLC has considered this but does not feel that this issue would be a material one for us and our customers at this time. Any delays in Capital renewal to solve for network constraints do benefit all consumers and therefore TLC do agree with cost savings spread across all consumers as an outcome.
Alternative option: prescribed rebates	
Q11. Do you agree that more prescriptive requirements to provide rebates will be less workable than a principles-based approach, and therefore should not be preferred? Why, why not?	TLC is of the view that principles-based approaches are generally better than prescription. Aside from the ability for the Authority to enforce a prescriptive approach (i.e. requiring additional resourcing and the need to monitor all asset management plans which would be resource hungry and expensive), distributors understand their networks better than regulators and do care for their customers. Apart from

	prescriptive requirements creating unnecessary compliance cost to customers it can also lead to unintended consequences as networks and their customer base differ and too many "unknowns" for the Authority to ensure no unintended consequences are baked in.
Alternative option: consumption-linked injection tariffs	
Q12. Do you agree that a consumption-linked injection tariff would not be sufficiently targeted, and therefore should not be preferred? Why, why not?	TLC feels that this proposal is a step too far in the present environment. What is important, however, is if a proposal is implemented by the Authority, the scheme either has a sunset clause and/or a review date to understand the implications, benefits and success or otherwise i.e. not set and forget.
Q13. If this approach was progressed, do you think: a) injection rebates should perfectly mirror consumption charges? b) there are sufficient safeguards in place that would allow distributors to avoid over-incentivising injection to the extent that it incurs additional network costs?	The Authority, at 5.38 (a), states that "Pricing reform has not been a priority for some distributors. …, some distributors have lagged behind the sector and have less efficient pricing." TLC has observed that instead of the Authority discussing concerns with distributors directly, the Authority has tended to issue Open Letters. We do not believe this to be efficient or good practice. We appreciate the Authority's recognition that over-incentivising injection could have unintended consequences. Furthermore, it's important to ensure consumers avoid inefficient investments, as a current constraint may not persist in the future and changes in the rebate and therefore their payback period on capital spent may leave them disengaged and negative to the industry and benefits of DG. At this stage, TLC does not support injection rebates that exactly mirror consumption charges. The implementation requires careful management, appropriate signalling, and consumer education.
Regulatory statement	
Q14. Do you agree with the objective of the proposed amendment? If not, why not?	TLC has no issue with the regulatory statement.
Q15. Do you agree the benefits of the proposed amendment outweigh the costs?	TLC believes that at setting up, the costs will outweigh the benefits (including the time to review the consultation documents and provide this submission). The Authority's analysis indicates a rebate of $12 per annum per eligible connection. However, TLC does see the merit in the proposal, and innovative pricing and believes that over time, this could provide long-term benefits for consumers. Accordingly, we will continue to develop distributed energy resource (DER) pricing – DER penetration is not currently significant on our network. TLC will actively support the transition to a decarbonised economy and the integration of DERs, balancing charges to DER users or ensure there is equity in charges across all network customers. We will assess and implement, where applicable.

Q16. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objectives in section 15 of the Electricity Industry Act 2010.	The proposed amendment is preferable as it is principles-based. TLC is customer focused and are always investigating ways to educate, assist and provide quality service to our customers, at an affordable price.
Proposed amendment Code drafting	
Q17. Do you have any comments on the drafting of the proposed amendment?	No.