26 March 2025

Electricity Authority
PO Box 10041
Wellington 6143

Via email: taskforce@ea.govt.nz

Consultation Paper – Requiring Distributors To Pay An Export Rebate

The WEL Networks appreciates the opportunity to provide feedback on the proposed changes to encourage consumers on to time-of-use pricing plans.

WEL Networks (WEL) is New Zealand's sixth largest electricity distribution company and is 100% owned by our community through our sole shareholder WEL Energy Trust. Our guiding purpose is to enable our communities to thrive, and we work to ensure that our customers have access to reliable, affordable, and environmentally sustainable energy.

Our responses to the specific questions sought by the Authority are attached.

While we agree in general terms with proposal, particularly as the rebates are to be based on actual benefit to the network created by the consumer export, we have concerns that wording used in the Code drafting is inadvertently capturing consumers not intended to be included. Specifically the use of 'standard contract' as a parameter includes virtually all network consumers not just 'mass market' / 'small scale (<10kW) DG' consumers that are consistently referenced throughout the consultation.

Should you require clarification on any part of this submission, please do not hesitate to contact me.

Yours sincerely

[redacted]

Andrew Maseyk
MEP Operations Manager
[redacted]

Submitter	WEL Networks

Questions	Comments
Problem definition	
Q1. Do you agree with the problem definition above? Why, why not?	In principle, yes. If there is a benefit created by a consumers injection, then they should share in that benefit. It should be realised though there will be instances (no constraints, no future network investment required) where DG provides no network benefit other than reducing the consumers energy requirements.
Proposed solution: principles-based rebates	
Q2. Do you agree with these principles? Why, why not?	Yes, other than the use of the term 'standard contacts' in clause (a)(i) to define customer pool. This term captures more than mass market consumers.
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?	Yes. To ensure that this is realised the method of defining mass-market consumers in the Code draft needs to be altered. As stated in the consultation 'standard contracts' have a defined purpose in the Commerce Commission's for Information Disclosure requirements that covers more than mass-market consumers. i.e. the majority of large consumers are on standard contracts with scheduled pricing. Transposing this term into the Code draft for this proposal is capturing consumers not intended to be covered.
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)?	No, while in theory any network benefit realised would be agnostic to whether the injection is sourced from a battery or direct from generation ,in practice flexible generation such as solar and wind cannot be relied on to be available when needed, so cannot be included in any formulation of non-network avoidance of future investment.
Q5. Do you agree with the direction of the guidance that would likely accompany the principles? Why, why not?	Yes. In relation guidance (d), it should be noted that retailers are best able to determine how the value of rebate is passed through to the relevant consumers and may not always be a direct monetary credit.

Q6. Are there any additional issues with the principles where guidance would be particularly helpful?	-
Q7. Do you agree the principles should be incorporated within the Code, rather than being voluntary principles outside the Code? Why, why not?	No. Reference to the principle guidelines and adherence of such can be included on the Code, but the principles themselves should be separate. The principles are likely to evolve over time and having them outside of the Code provides a flexibility to update them not available if they were within the Code.
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.	Yes.
Q9. Do you agree the proposal strikes the right balance between encouraging price-based flexibility and contracted flexibility? Why, why not?	-
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?	Any system that reduces the share of a fixed revenue pool met by a subset of contributing parties will always create some measure of wealth transfer. The proposal, with rebates aligning to real network benefits (allowing for cost to deliver and ongoing monitoring) mitigates this transfer as the network benefit should in theory be shared by all over time.
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?	Yes. Also runs the risk of creating a rebate where there is no benefit.
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?	Yes. Also is likely to create distortions by sending false or inaccurate signals to consumers.

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?	a) No, the costs involved in delivering a kW of load from GXP to an ICP are sufficiently disassociated from costs involved or avoided in utilising DG injection, that mirroring charges will likely introduce disparity. E.g. Load costs include transportation costs from GXP, 33kV, Zone substation, 11kV, Transformer into the 400V assets. If the constraint was on the transformer then the associated rebate amount needs to take other assets not benefiting into account. b) No, even significantly discounting the consumption charge could result over-incentivisation in network areas where there is no marginal benefit of injection.
Regulatory statement	
Q14. Do you agree with the objective of the proposed amendment? If not, why not?	-
Q15. Do you agree the benefits of the proposed amendment outweigh the costs?	This is unable to be quantified as the consultation is silent on any implementation process – i.e. set up costs, conveyance of distributor identified ICPs to retailers (existing and new in event of ICP switch), transmission of rebate amounts to retailers etc.
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.	Yes
Proposed amendment Code drafting	
Q17. Do you have any comments on the drafting of the proposed amendment?	We do not believe the Code drafting will meet the intent of the proposal. *Schedule [00] Part 1 Clause (1)(a)(i)* Use of the term 'standard contracts' as an ICP parameter is capturing far more than the intended mass-market consumers. As a suggestion a grouping based on a distributors price categories, or the DG size maybe more relevant. e.g. (1) A **distributor's** pricing methodology must (a) provide for the identification of any ICPs that are – (i) **Injection Benefit ICPs**; and …

	1.1 Interpretation **Injection benefit ICP** – only in respect of Schedule [00] 1, means any ICP that is on a Distributors Domestic, General, or Standard pricing tariff (or a Distributors equivalent nomenclature). or (1) A **distributor's** pricing methodology must: (a) provide for the identification of any ICPs that – (i) have distributed generation < 10kW installed; and (ii) are connected … *Schedule [00] Part 1 Clause (2)* …amount owed to the **distributor** by the consumer. The contractual relationship for mass market ICPs is between the distributor and the retailer, not the consumer so this should be reflected. e.g. (2) A payment … amount owed to the **distributor** by the **retailer** of the relevant ICP at the time.