21 March 2025

Electricity Authority
Via email to: taskforce@ea.govt.nz

Westpower's Submission on Energy Taskforce 2A Proposal – Opposition to Mandatory Peak Time Rebates

Westpower appreciates the opportunity to provide feedback on the Energy Taskforce 2A Proposal, which seeks to require Electricity Distribution Businesses (**EDBs**) to pay rebates for electricity supplied at peak times (**Proposal**). Westpower strongly opposes this Proposal on the basis that it is inequitable, operationally unfeasible, and contrary to sound economic and regulatory principles. Whilst we have answered the questions set out in the submission template, and attach this, please treat this accompanying letter as part of our submission.

Westpower opposes the Proposal for the reasons set out below:

**1. Unjustified Cost Burden on EDBs**
The Proposal places an unfair financial obligation on EDBs by requiring them to pay rebates during peak demand, something which is largely beyond their direct control. EDBs do not set retail pricing or control real-time consumption, making this measure misaligned with the industry's cost structures. The proposal disincentivizes network investment, and places undue risk on businesses already operating under regulated pricing constraints. Retailers are much better placed to manage this, as they will directly benefit through lower wholesale pricing when periods of high demand can be smoothed.

Furthermore, electricity demand is growing due to decarbonisation, industry, and population growth. However, these expansion costs are already managed through EDB Capital Contribution Policies, meaning the proposed rebates will not change these obligations. Additionally, modern technologies such as LED lighting, induction hobs, and air conditioning units are already mitigating the impact of household demand growth, reducing the necessity for the proposed rebates.

**2. Distortion of Efficient Pricing Signals**
The suggested rebate mechanism could distort long-run marginal cost (**LRMC**) pricing signals, which are critical for efficient network investment and demand-side management. Instead of incentivizing smart pricing and demand response mechanisms, this Proposal may encourage inefficient energy use, potentially leading to increased network stress during peak periods.

The Authority assumes that injection of electricity into a constrained network could delay network upgrades. However, this can only be effectively achieved with battery storage that allows precise injection timing. Since most distributed generation (**DG**) installations lack battery storage, or the ability to control injection timing, implementing this rebate structure would be costly for consumers and provide minimal benefits.

Additionally, this Proposal does not help the people who need it most. Those who can afford to invest in solar panels and battery storage are typically wealthier households, meaning this policy would lead to an unfair wealth transfer from lower-income households to those already able to afford private energy solutions. If the intent is to encourage more solar and battery uptake, a direct government subsidy would be far more effective than a rebate of just $12 per year per consumer. At this level, the incentive is too small to change consumer behaviour meaningfully.

**3. Regulatory and Economic Misalignment**

The Proposal conflicts with New Zealand's existing regulatory framework, including the Electricity Distribution Pricing Principles and the Commerce Commission's Input Methodologies. Current regulations already promote cost-reflective pricing and demand-based network charges, making an additional rebate requirement redundant and counterproductive.

Additionally, the Proposal contradicts previous regulatory efforts to encourage fixed distribution pricing which was designed to allow retailers greater flexibility to innovate their pricing models. Retailers have actively sought to limit distributor influence on retail pricing, making this proposal an inconsistent shift in regulatory priorities.

The Authority is also assuming that every network will be constrained, but for Westpower, any capacity constraints are likely to be some time away. Westpower serves a lower density network and a one size fits all approach does not reflect the variability in demand patterns and infrastructure needs in different parts of the country.

This assumption is also flawed, as constraints work both ways—where there are network constraints, there are also likely to be peak congestion issues. The best approach would be to adjust voltage limits to allow for more distributed generation injection into the network, which would enable energy to flow more efficiently in both directions.

Moreover, the Proposal does not account for large customer movements—if just one large industrial customer moves in or out of the network, it could completely change the demand profile, making the rebate mechanism ineffective.

**4. Alternative Solutions for Peak Demand Management**

Rather than imposing an EDB-funded rebate system, Westpower supports market-driven demand response mechanisms that encourage consumers to shift usage voluntarily. Options such as time-of-use tariffs, peak pricing signals, and demand flexibility incentives align better with market dynamics while avoiding unnecessary regulatory intervention.

It is also worth noting that some EDBs already offer rebate schemes where they are beneficial. However, the assumption that EDBs not offering rebates are doing so out of obstinance is unfounded. The reality is that many networks do not experience the cost savings necessary to justify such rebates, making the Proposal an inefficient blanket approach.

In addition, the proposed rebate is so small that it is unlikely to change any consumer behaviour, and there is a real risk of overinvestment in solar and batteries, leading to consumer dissatisfaction when rebates disappear due to oversubscription.

**5. Practical Challenges and Unintended Consequences**

The Proposal fails to align with the Distribution Pricing Principles, as it does not:

- Ensure pricing is subsidy-free;
- Reflect economic costs;
- Reflect differences in network services and EDBs throughout New Zealand;
- Encourage network alternatives;
- Reflect the value of services;
- Enable price/quality trade-offs; and
- Have regard to transactional costs.

Moreover, if oversupply occurs, the Proposal suggests either ceasing rebates or charging DG consumers for additional capacity requirements. If widely published, this could act as a major disincentive for DG adoption.

Finally, the Authority has failed to provide essential guidance on implementation, making it difficult to submit fully informed responses. Critical details, such as how rebates would be administered and any guidance, are missing from the consultation document, yet this information is fundamental to assessing the feasibility of the proposal. In addition, retailers can already offer this type of incentive now, without the need for any Code changes.

**Conclusion**

Westpower is in strong opposition to the Proposal, and urges the Electricity Authority to reject the Energy Taskforce 2A Proposal and instead focus on solutions that align with efficient pricing principles, network sustainability, and consumer-driven demand response initiatives. EDBs are already incentivized to take cost-effective actions where they provide real benefits, and additional regulations are unnecessary.

Mandating compliance with rebate requirements would introduce substantial administrative and operational costs, without clear benefits. There is a enormous administrative burden to the 29 EDBs, every time to EA makes mandatory code changes, which is some cases (e.g. DDA changes), makes no material difference. The Authority should instead allow distributors the flexibility to determine their own approaches to managing peak demand based on their network conditions, consumer behaviour, and cost structures. Westpower therefore submits that if the Proposal is implemented, EDBs are given the choice whether to implement it, or not.

Similarly, if the Authority goes ahead with the Proposal, Westpower requests that the Authority reconsider the implementation timeline, as proposed tariff changes would require significant system upgrades. Westpower is already planning the introduction of additional time-of-use tariffs from April 2026, and implementing additional tariff structures simultaneously would be impractical.

We appreciate the opportunity to submit our views and welcome further discussions on practical alternatives to manage peak demand without imposing inequitable burdens on EDBs.

Please do not hesitate to contact us should you require further clarification.

Lisa Leyland
Regulatory and Legal Manager
Westpower Limited

# Format for submissions

| Submitter | Westpower Limited |
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| Questions | Comments |
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| **Problem definition** | |
| Q1. Do you agree with the problem definition above? Why, why not? | Westpower does not agree.<br><br>2.2 (b). The Task Force's work overarching outcome is to "*provide more options for end-users of electricity*". This is achieved in the first instance by options provided by the energy retailer. Historically, retailer pricing has been influenced by distributor pricing (night rates, water heating) and it is the Authority's assumption that this will continue to be the case.<br><br>However, retailers are taking the opposing view that the retailer now wishes to package their products in a manner that gives them a competitive edge and that the distributor influence is no longer the inhibiting factor it once was. Retailers and the Authority are calling to move to fully fixed pricing from distributors to allow retailers the opportunity to innovate. It therefore seems the call for distributor tariffs to influence consumer behaviour as proposed for a selected section of the mass-market is not following the outcomes that a competitive market requires.<br><br>2.6 (a) (b). Electricity demand is growing due to decarbonisation, industry and population growth. The expenses involved for this growth are met by the individual parties via EDB's Capital Contribution Policies. This proposal will not change these policies.<br><br>Individual household growth is countered by modern technologies that cover such increases in demand. For example, LED lighting, induction hobs, microwaves, air friers and modern air conditioning units.<br><br>2.7. The Authority is using the basic assumption that injection of electricity into a network about to be constrained, in the near future, would delay any network capacity upgrade, and therefore reduce network costs. To achieve this, consumers must have the ability to inject at the required times. Practically, this can only be achieved by the use of battery storage, as 'the sun don't shine at peak times'. Most current DG installations do not include battery options and those that do, do not include the ability to inject at set times. Such controls will be an additional expense for consumers, that will far outweigh any rebates that might be available.<br><br>2.8. Flexible distributed generation has the benefits outlined by the Authority, but the best method for gentailers to avoid the costs such as gas Peakers, is to encourage generators to invest in DG rather than large renewable energy farms. This approach removes significant transmission costs, which are more costly to maintain and expand than EDB networks.<br><br>3.3. It is difficult to see how this proposal fits in with the Distribution Pricing Principles as described in Box 1. It does not: |

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| | • Be subsidy free;<br>• Reflect economic costs;<br>• Reflect differences in network services;<br>• Encourage network alternatives;<br>• Reflect value for services;<br>• Enable price/quality trade-offs; and<br>• Have regard to transactional costs.<br><br>3.4. Box 2. Should this proposal proceed and be successful and there arises an issue of oversupply, the proposal is to cease paying the rebate or, as per Box 2, charge the DG consumers the cost of any increase capacity required. If this likely result is widely published, it would be a major disincentive for DG installation.<br><br>4.5. Some EDB are offering a rebate scheme as they see benefits in doing so. The assumption that there are other distributors not offering rewards through obstinance, is unfounded and ignores the fact that there are currently no identified benefits available.<br><br>4.6 (a). For injection to occur during winter evenings, battery technology must exist to enable such functions. Currently batteries, including the ability to inject at preset times, is not prevalent in DG connections and the cost to the consumer to include batteries in their installations would be well in excess of any rebates proposed. If batteries are available, why would consumers inject into the network. Doing so means they receive payment for injection that is less than the payment they need to make for their internal usage. The physics just does not work. The battery injection would be into the internal load. The benefit to the consumer is the decreased usage measured at the meter, thereby lower consumer electricity cost. The incentive to do this already exists with tariffs that derive revenue from meter readings.<br><br>Westpower network operational costs are by far the highest proportion (44%) of network costs that are recovered by tariff revenue. Capital costs to upgrade network capacity is recovered, in the first instance, by those consumers requiring the addition capacity. Such consumers must pay for any upgrades by way of the Westpower's Capital Contribution Policy. If network capacity upgrades are necessary, but the additional load cannot be identified to individuals (such as mass-market increases) then the upgrade costs are provided by capital funds secured from company profits.<br><br>The current pricing "*that generally signals when consumption is contributing to network costs*" works very well and "*the Authority expects this signal will become increasing prevalent*" so why do we need additional signalling. The Authority seems to ignore the comment that "*as soon as a household with solar and battery moves from consuming to exporting, the network tariff vanishes*". The Authority admits that implementation could be challenging. The costs far outweigh the benefits.<br><br>The Authority also appears to overlook the physical nature of the Low Voltage networks. When underground LV cables are first installed, future capacity requirements consider the geographical boundaries that limit the size of the buildings in that particular area. Hence it is highly unlikely the load |

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| | outgrows the cable capacity. There is no historical evidence of this occurring. Future load increases in the mass-market are declining due to modern technologies and DG is part of this evolution. Therefore, the predicted network cost increases due to cable capacity upgrades are not real.<br><br>DG is not wholly responsible for such trends. Do we also rebate consumers who install LED lighting, air conditioning, induction hobs and other appliance efficiency technology.<br><br>Customers invest in DG to reduce costs and or generate income. The price retailers pay consumers for injection is by far the most influential signal. EDB rebates would provide a very low percentage signal when compared to the retailer injection price.<br><br>Also note that a fully compliant network is required to supply consumers at times when the consumer's DG is not available to them – lack of sun, wind, water etc. |
| **Proposed solution: principles-based rebates** | |
| Q2. Do you agree with these principles? Why, why not? | Westpower does not agree.<br><br>5.2. By mandating to enforce compliance, the Authority would need to prove a network was about to be constrained. Providing evidence would be difficult as the future pathway for technologies is infinite. On the other hand, the network owner has vast experience of network usage and is best placed to make these decisions.<br><br>5.3. Box 3. Does the Authority intend by the word "provide" that all Pricing Methodologies must publicly disclose all ICP numbers and their connection points and provide a comment on the maximum capacity of that section of the Low Voltage system. Such a document would be totally impractically. Most EDBs may have this information, but a more efficient method would be for consumers anticipating a DG connection to contact their EDB for the required information.<br><br>The payments anticipated by the Authority are very small and unlikely to influence a consumer to proceed, particularly when the retailer can deduct their costs to distribute the "rebate" from any payment made to the consumer.<br><br>It is proposed that rebates be made available through new tariff options that consumers can choose. We have heard from the Authority that retailers would prefer to design their own retailer tariff options and hence their request for the Authority to reduce the number of tariff option made available by EDBs. It is difficult, therefore, to see that retailers would prefer this proposal. |
| 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? | Westpower does not agree.<br><br>The mass-market does not have sufficient battery capacity to make this proposal viable.<br><br>Larger consumers already have the option to discuss their requirements with the EDB. |

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| 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)? | Westpower does not agree.<br><br>There is no network benefit to be gained from inflexible DG |
| Q5. Do you agree with the direction of the guidance that would likely accompany the principles? Why, why not? | A principles-based approach to allow flexibility for distributors should be just that: flexible to allow distributers to make the decisions that best suit their circumstances. There is no need to place this in regulation as, noted by the Authority, several EDBs are already taking the suggested actions and others are likely to follow as circumstances arise. |
| Q6. Are there any additional issues with the principles where guidance would be particularly helpful? | This approach means the EDB would need to include a new tariff in its pricing methodology, starting 1 April 2026. This timeframe is too short and Westpower does not have sufficient resources to implement this within that timeframe. |
| Q7. Do you agree the principles should be incorporated within the Code, rather than being voluntary principles outside the Code? Why, why not? | Mandating EDBs to take a defined path to achieve cost reduction could result in EDBs concentrating their efforts on regulation avoidance, rather than on the desired outcomes.<br><br>EDBs know their networks best and if encouraging DG to lower costs is effective, EDBs will take this path as already demonstrated by several EDBs. The preferred approach may also limit the introduction of more effective technologies that could achieve the same outcomes more effectively. |
| 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. | Westpower is planning to introduce new software for retailer data on 1 April 2025. A full year of operation will be required to fine turn such a new process and adding a new tariff option at the same time is not reasonable or practical. Westpower requests the Authority to delay implementation until such time that EDBs can monitor the effects of DG to ensure such a scheme is of benefit to consumers.<br><br>Note the earlier comment that any EDB rebate is unlikely to influence a consumer's decision to install DG. |
| Q9. Do you agree the proposal strikes the right balance between encouraging | 5.17. Note the Australian approach came from a relaxing of a previous prohibition on export pricing. It is not mandatory and is in fact the opposite, where an EDB must prove the need or success of such pricing before it is approved.<br><br>5.18. The suggestion is that EDBs may not comply with voluntary principals on the basis it is too difficult is insulting. EDBs are constantly looking for *effective* cost cutting methodologies and if the proposed principles provided such cost cutting, EDBs would implement the principles. There is no need for the Authority to view this action as urgent, because those EDB that are faced with the constrained networks are already taking similar actions to those proposed by the Authority. Others will follow suit if such arrangements prove to be successful.<br><br>Contracted flexibility provides suitable negotiation between all parties so 'real' benefits would be the end result.<br><br>Price-based flexibility has no strictly designed outcomes. |

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| 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? | It is most surprising that the Authority that, for so long has been advocating to eliminate cross-subsidies and introduced fix charges, can now do a complete turn-about and propose a not-so-inconsiderable wealth transfer scheme. The inconsistency of regulation in the distribution business is a considerable contributor the very costs the Authority is determined to reduce. While there may be an opportunity to reduce costs, the material value of the reductions does nowhere meet any cost-benefit analysis which is required for reasonable and practical solutions for cost avoidance.<br><br>The Authority admits that quantifying wealth transfer is "*extremely difficult*", therefore their assumption that the likely effects on non-DG consumers would be "*very small*" is difficult to justify. |
| **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? | Westpower does not agree.<br><br>Individual EDB are too dissimilar to impose a one-solution-fits-all approach. EDBs are best placed to make decisions on the most cost-effective way to reduce costs.<br><br>Inflexible arrangements also inhibit movement in future technologies that are forever present in today's environment. Given the scope of questions to be asked in any future consultation around a more prescriptive approach shows the Authority's lack of understanding on the operations of EDB leading to an "*impractical, inefficient or hampered information asymmetries*" |
| **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? | Westpower agrees with applying similar pricing to consumption and injection on the proviso that the injection tariff is a cost to the consumer as opposed to a rebate. DG needs a network to generate revenue and as the network operating costs are the same for transmission in either direction, the DG should pay that cost. A rebate might be considered on the injection tariff if the distributor is to receive benefits from such DG.<br><br>As batteries feature more in the coming years, no thought has been given to recharging these batteries when their energy source is non-existence for a considerable period. Consumers will then depend on their connect network to maintain supply and recharge their batteries, even if such periods a few and far between. Maintaining a network presence at all times, for any eventuality, is a cost that must lie with the consumer, as they are the beneficiary of that certainty.<br><br>It is also disturbing that the Authority chooses to ignore the opinion of Rewiring Aotearoa over its own narrow-viewed opinion. Rewiring Aotearoa has consumers benefits at heart and offers reasonable and practical solutions that should be at least considered. Such schemes come at zero cost to consumers, distributors, retailers and the Authority so surely would result in better outcomes for all.<br><br>Similarly, the Authority's reliance on "scorecards" of EDBs tariff reforms seems disingenuous given how historical they are in |

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| | nature and ignore the generally reflected consumer preferences as indicated in consumer surveys undertaken by distributors. |
| Q13. If this approach was progressed, do you think:<br>a) injection rebates should perfectly mirror consumption charges?<br>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's concerns around excess injection causing additional network costs are unfounded. Where a consumer requested demands are not met by the existing network, they must pay a capital contribution towards expanding the network. For consistency, excess injection would fall under the same rules and be required to contribute towards the cost of additional capacity. This already applies under the DG provisions.<br><br>At no stage should a DG investor be discouraged by the existence of any "de-rated" benefits. |
| **Regulatory statement** | |
| Q14. Do you agree with the objective of the proposed amendment? If not, why not? | Westpower agrees with the Objective of the Authority's proposal.<br><br>However, it does not agree with the solution proposed. By far the biggest incentive for any proposed DG is to have the retailer pay an injection tariff equal to the consumption tariff, including the network component of the retail tariff, as the DG needs the network to deliver its benefits.<br><br>The Authority seems preoccupied on requiring the EDB to provide benefits even though they admit the benefits will be small, but they choose to ignore the fact that the retailer benefits would substantially incentivise consumers to invest in DG. |
| Q15. Do you agree the benefits of the proposed amendment outweigh the costs? | Westpower does not agree.<br><br>The "cash" injection by way of a rebate that the consumer finally receives after any costs absorbed by the retailer, is insignificant. On the other hand, the costs for EDBs to provide yet another tariff option is totally disproportional. Retailers are constantly requesting EDBs to reduce the number of tariff options available to consumers. The Authority itself has advised all (smaller) EDBs to move to a totally fixed price for line services. The inconsistency across all regulations is not helping EDB reduce coats which, after all, is the sole purpose of the regulations.<br><br>Retailers have requested the Authority to have distributors ensure their tariffs are as simple as possible to allow retailers to be more innovated in providing competitive tariffs to consumers. The proposal does not support retailers drive to be more competitive and it is the retailer pricing that attracts consumers, not distributor pricing.<br><br>Price signalling is best left to the retailer via competitive options and distributor pricing should enable retailer innovation, not restrict it as this proposal would. It is very rare for any retailer to reflect distributor pricing directly and they pick and choose options that best reflect their market strategies.<br><br>The comment "*the proposal would largely just be bringing (the set-up) costs forward in time*" highlights the Authority's unnecessary rush to implement a program that time itself may well resolve as indicated earlier in this submission. |

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| | Westpower is currently proposing to additional introduce time-of-use tariff on 1 April 2026. Shifting our very limited resources to implement this proposal could move time-of-use tariffs back to April 2027. |
| 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. | Westpower prefers the Authority to maintain the status quo.<br><br>The Authority uses words such as *could, likely, might and maybe*. There does not appear to be any evidence to support the claim that a 'rebate' would influence a consumer's decision to invest in DG. There is no evidence of consumer consultation to support this proposal. It appears to be based on 'likelihood'.<br><br>Distributors are working through a range of options for effective pricing, including DG options. While the larger EDB have the resources to undertake research on these matters, the smaller EDBs are under resourced – a cost saving for consumers in its own right. All EDB are different. DG uptake in Westland is very low. Creating work over and above that already undertaken to monitor low voltage circuits simple takes resources off other projects. EDBs know their consumers best and respond to their requests which may be peculiar to their region. |

| Proposed amendment Code drafting | |
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| Q17. Do you have any comments on the drafting of the proposed amendment? | Rather than go down the mandatory path for this requirement, the Authority could highlight the advantages as it has now done and ask EDBs if they think such a tariff would be beneficial to both parties. As mentioned earlier, the Australian proposal was to lift restrictions to allow EBD to make such an offer to retailers; not to mandate it.<br><br>The methodology must "*provide for the identification of any ICPs…..that are connected to the network….*"<br><br>Clause (1) (a) (ii). How is it intended to "identify". Does this mean to list in the Pricing Methodology, all the ICP numbers of consumers who are so connected. EDB can identify "*locations where injection can provide network benefits*" but this will not inform individual consumers that benefits might apply to them. EDBs do not have location addresses for each ICP and it would probably not comply with the Privacy Act to publish such addresses.<br><br>Affected ICP numbers could be listed, but the system, in reality, would rely on retailers to advise affected consumers that a benefit exists.<br><br>Or will the data be held by the EDB and only release relative information when asked to do so by the retailer.<br><br>Clause (2). Customers do not have a relationship with distributors therefore credits cannot be made to individual consumers. Distributor data bases to not provide such facilities.<br><br>The most effective manner for this proposal to apply would be to create a new tariff group whereby consumers can apply for inclusion via their retailer. This goes against the principles of simplifying tariff structures which has been a constant requirement on EDBs.<br><br>Therefore, the word "Payment" is not a reality. Westpower askes the Authority for clarity around this issue. |