Energy Competition Taskforce Initiative 2A

Submitter	Ecotricity

Questions	Comments
Problem Definition	
Q1. Do you agree with the problem definition above? Why, why not?	We are in broad agreement with the problem statement, with the following additional comments: • We note the exclusion of large industry from the definition of mass market. We believe that, with the right incentives, industry is well positioned to make a material difference to network peak mitigation and should be included in any rebate scheme • Given the rate of electrification that is expected in the coming years (see clause 2.6(a)), we believe peak export rebates should be offered on a network-wide basis i.e. regardless of current or near-term constraints. This has a twofold benefit: 1. It simplifies pricing approaches for EDB's i.e. they set one rebate rate across their network; and 2. It means that DG (and associated flexibility) will be built *before* there are critical network issues
Proposed solution: principles-based rebates	
Q2. Do you agree with these principles? Why, why not	We do not agree with all principles, for the following reasons: • Using a test of '…can provide network benefits' is too vague and is likely to be interpreted in materially different ways by the 29 EDB's, risking inefficient and costly analysis by the Authority to determine if interpretations are appropriate or not; • We agree with 'injection times' and would expect that these will mirror network peak periods that already exist within EDB pricing schedules;

	• We believe the Authority risks excluding benefits that 'non-standard' contract customers (e.g. larger industrial customers) may be able to offer. We believe there should be a level playing field for all DG customers; • One of the main inhibitors to the growth of a mature flex market is the 'ad-hoc' approach currently seen in the sector e.g. EDB's either require flex 'now', and lament that none is available, or a requirement for flex is signalled years in advance (e.g. 'flex will be required in 2027 and we'd like you to 'build' it but won't pay until we need it') If DG and associated flexibility is valued at all points of a network *before* it is urgently needed, then a mature flexibility market can develop, with assets available ahead of the electrification curve.
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?	We believe that rebates should be made on a level playing field basis and that all connected customers should be able to realise benefits based on their contribution to network peak management.
Q4. Do you agree the principles should apply to all mass-market DG, including inflexible generation (nothing that the amount of rebate provided will still be based on the benefit the DG provides)?	We agree that all DG should have the same principles applied, including industrial customers as previously mentioned.
Q5. Do you agree with the direction of the guidance that would likely accompany the principles? Why, why not?	We have the following comments on the proposed guidance: 5.7(a) we believe rebates should be offered across the network on a level playing field basis i.e. not limited to specific locations. The complexity and associated cost of the current guidance would negate much of the proposed customer benefit i.e. EDB and Authority time and resource cost are ultimately passed on to consumers. 5.7(b) period timings should mirror the existing peaks published by each EDB. Assuming these are correct, there should be no requirement to 're-analyse' for the sake of a peak export rebate. 5.7(c) if the intention is to incentivise customer uptake of DG and associated

	flexibility then the quantum of each rebate must be sufficient to prompt behavioural change. Investing in these technologies carries a material up-front cost, and if the additional benefit to these consumers is a few cents per month (for example) then it is unlikely to drive material change for New Zealand. In our view, the rebate should be c. $0.08-$0.09 / kWh and should be year-round. 5.7(d) we are comfortable with this guidance but note that one of the aims is to incentivise more consumers to invest in DG and not just to incentivise those that have it to make it available for export during peaks (you mention this in 5.7(e). 5.7(e) we believe that rebate stability will be important for consumers when deciding whether to invest in DG. 5.7(f) given the expected rate of electrification (and associated peak demand) in New Zealand), we don't believe this guidance is required at this early stage i.e. we believe it is more important to put incentives in place that accelerate consumer uptake, as trying to solve for 'peak electrification' involves time horizons that are not relevant now. 5.7(g) we agree that rebate schemes should be kept as simple as practicable and would recommend a 'standard' rebate rate across each network, on a level playing field basis. Any additional complexity must be paid for by consumers and will erode some of the planned benefits. 5.7(h) similar to 5.7(f), we believe that the time horizons for these potential issues to materialise are such that trying to solve for them now is not appropriate. This would be in the 'good problem to have' category and would signify the success of incentives put in place now.
Q6. Are there any additional issues with the principles where guidance would be particularly helpful?	While we don't have any additional comments on guidance at this stage, we would like to take the opportunity to caution against the EDB shift away from majority kWh rates towards majority DFC rates as this will be a major disincentive for

	customers investing in DG and associated flexibility i.e. why would someone invest in reducing their kWh import from the grid when the benefits are eroded by daily charges increasing proportionately.
Q7. Do you agree the principles should be incorporated within the Code, rather than being voluntary outside the Code? Why, why not?	Yes, we agree the principles should be incorporated within the Code. The scheme should be structured to be as simple to administer and monitor as practicable, noting that all additional costs are ultimately paid for by electricity consumers.
Q8. Do you agree with the proposed implementation timeline for this proposal? If not, please set out your preferred timeline and explain why this is preferable.	Yes, we agree with these timelines.
Q9. Do you agree the proposal strikes the right balance between encouraging price-based flexibility and contracted flexibility? Why, why not?	Yes, we believe the right balance has been achieved. In order to incentivise DG and associated flexibility it is important for multiple value streams to be created, offering consumers choices in how they make their assets available.
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?	We believe it is important to clarify what is meant by 'wealth transfer' in this context. Consumers who choose to invest in DG and associated flexibility often do so through financial institutions e.g. banks. These customers are still 'paying' for their electricity – it is just that the entity they are paying is a finance company rather than an EDB and Retailer. They carry the burden of debt, with associated interest costs, in a way that may mean they are worse off than customers who do not make the same investment decisions (noting that break-even's can be c. 8 years). The overarching goal is to decarbonise New Zealand, and a 'team of 5 million' will be required to make it happen. We agree that the rapid uptake of DG and flexibility will keep downward pressure on infrastructure costs, for the benefit of all New Zealanders.
Alternative option: prescribed rates	
Q11. Do you agree that more prescriptive requirements to provide rebates will be less workable than a principles-based approach,	While we agree the principles approach is more practicable, at least initially, we say this in the context of other comments we have made in this submission.

and therefore should not be preferred? Why, why not?	We believe rebates should be set at a quantum that incentivises the rapid uptake of DG and flexibility as New Zealand risks being left behind the rest of the developed world. Rebates should apply network-wide, and not necessarily but location, noting clause 2.6 i.e. the pace of expected electrification across New Zealand. If the principles approach does not result in a material incentive for consumers (noting that EDB rebates should be seen in the context of wider DG / flexibility value stacks) then a more prescriptive approach may be required in the future.
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?	Given the low levels of DG in New Zealand, we believe the most important factor is ensuring the customer investment incentive is material enough to result in a faster uptake. Whether this is through consumption-linked pricing or some alternative approach is less important in our view i.e. if the quantum for both approaches is so low that uptake is not increased then specific structures are irrelevant. As previously mentioned, we believe rebates should be set in a way that incentivises DG uptake network-wide to ensure flexibility is available as the pace of electrification increases.
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?	We don't believe too much time should be spent now trying to plan for an oversupply of DG in certain areas. If customers are incentivised to buy batteries along with PV then many of the problems experienced in Australia can be avoided. DOE's and mass-market export limits are tools EDB's can use (and are currently using in the case of 5kW residential export limits) to limit the negative impacts of too much DG on a network.
Regulatory statement	

Q14. Do you agree with the objective of the proposed amendment? If not, why not?	We agree with this statement, within the confines of our other comments in this submission e.g. we believe industrial customers should be included etc.
Q15. Do you agree the benefits of the proposed amendment outweigh the costs?	Yes, we agree that the benefits will outweigh the costs. We caveat that by referring back to our previous comments i.e. that rebates should be set across networks to ensure DG and a mature flexibility market is available in the future. It is important that consumers are incentivised to make investments now, in preparation for increased electrification. We agree that, while the rebate should be material enough to act as a driver for behavioural change, it should be seen as part of a larger value stack that still requires serious sector attention.
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.	We agree that the proposed amendment is the most appropriate option at this time. However, we recommend the Authority be mindful of the potential need to be more prescriptive in the future, depending on whether the desired outcomes are realised through the proposed approach. As per our previous comments, we believe that a flat rebate rate across each individual network provides a level playing field incentive for consumers to invest in DG and flexibility. This removes the requirement for the Authority to have a detailed understanding of network low voltage issues should a more prescriptive approach be required in the future.
Q17. Do you have any comments on the drafting of the proposed amendment?	We refer the Authority back to our previous comments in this submission, most notably that we believe a level playing field, across entire network regions and connection types, is the most appropriate way tot drive desired behaviours in New Zealand.