Meridian.

26 March 2025

Electricity Authority
By email: taskforce@ea.govt.nz

Requiring distributors to pay a rebate to consumers

Meridian appreciates the opportunity to provide feedback on the Authority's consultation paper 'Requiring distributors to pay a rebate when consumers supply electricity at peak times'.

Meridian is supportive of more fairly and efficiently allocating the costs associated with electricity distribution networks. However, we are concerned that the proposal will not create effective incentives to drive investment from consumers in distributed generation that would lead to good outcomes for networks and reduce network costs. The paper suggests that distributors will be able to re-evaluate the price of rebates annually, and remove rebates when constraint is removed. However, the purchase of a battery would have to be based on multi-year returns. Therefore, without stable outyear returns evaluating the purchase of a battery against rebates would not be possible, meaning the incentives to invest are limited.

The proposal will also introduce significant implementation challenges, compliance costs, and complexity into the system, the amount of which will offset the likely benefits of the proposal.

Our responses to the Authority's specific consultation questions are attached as Appendix A.

Please contact me if you have any queries regarding this submission. This submission can be published in full.

Nāku noa, nā

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Appendix A: Responses to consultation questions

	Question	Response
1.	Do you agree with the problem definition above? Why, why not?	Meridian agrees that there has been a missing network price signal for injection by consumers. However, retailers in the market have begun recognising this themselves and there are now providers who are offering this to the market. The proposal is targeting a very small number of customers, and the compliance costs of the proposal will likely mean that the costs exceed the benefits.
2.	Do you agree with these principles? Why, why not?	Meridian does not think it is necessary to introduce a principles-based system at this point in time, as the market has already begun reacting to put price signals in place. However, if a proposal is introduced Meridian is supportive of the principles-based approach to the regime as this is the only way to make it workable. Currently Meridian does not supply distributors customer injection information. However, this information would need to be supplied to distributors in order to allow them to identify ICPs or groups of ICPs that are subject to standard contracts and connected at locations where injection can provide network benefits. System upgrades to the electricity register would need to be undertaken to allow this information to be shared. Meridian would also need to undertake its own system upgrades to allow for the network location information to be recorded and shared. While technology difficulties should not inhibit getting the best outcomes for consumers, these outcomes for consumers are unlikely to be realised or will be very limited. This means the costs of implementation, including through undertaking upgrades to technology, become relevant. The incentives are unlikely to be realised or very limited as the proposal does not ensure price stability that would provide the incentive for consumers to purchase distributed generation systems. The paper suggests that distributors will be able to re-evaluate the price of rebates annually, and remove rebates when constraints are removed. However, the purchase of a battery would have to be based on multi-year returns. Therefore, without stable outyear returns evaluating the purchase of a battery in order to sell power to the

		market would not be possible, meaning the incentives to invest are limited. Moreover, some networks have already begun offering rebates that could act as an incentive. The market should be encouraged to innovate; however the proposed regulation would stifle this innovation as it locks in how this innovation can occur.
3.	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?	If this proposal was to go ahead, Meridian would support it only applying to mass-market consumers, as larger individual customers are better placed to negotiate directly with distribution companies to be recompensed for the value that their injections provide to the network.
4.	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?	If this proposal was to go ahead, yes, Meridian would support the principles applying to all distributed generation. While inflexible generation is unlikely to inject at times that benefit the network, there may still be circumstances where inflexible generation is valuable to the network and any regulation should not preclude recognition of that benefit.
5.	Do you agree with the direction of the guidance that would likely accompany the principles? Why, why not?	Meridian is supportive of accompanying guidance, however, we have concerns regarding the workability of the proposed guidance and the actual incentives it would give consumers. In our experience, a customer typically purchases a distributed generation system (e.g. solar) to fit their own needs. Any excess generation is a plus, and the purchase of a battery to store this excess would be evaluated based on whether it is cost effective based on the customer's individual circumstances (including access to electricity during outages). The guidance suggests that distributors will be able to re-evaluate the price of rebates annually, and remove rebates when constraint is removed. However, for most consumers the purchase of a battery would have to be based on multi-year returns. Therefore, without stable returns evaluating the value of purchasing a battery in order to receive the rebate would be difficult, meaning the incentives to invest are limited. There is a risk that the value of the distributed generation only presents itself to the system at the highest peaks of demand, but at few other times, meaning the rebates for consumers would be few and far between. This is also likely the times at which

		consumers are least likely to export their power, due the demand in their own household. While distributors could instead spread the value of rebates over a greater time period, providing a more stable price signal to consumers, the rebate would then no longer reflect the value that distributed generation is providing to the network. There are very few customers that currently use solar or batteries, with the cost of investment in a battery remaining significant. While some may consider that EV's could be used to meet this need, it is unlikely that this is the driving reason for the purchase. The cost of using an EV would need to be evaluated by the owner (ie does it deplete the life of the battery and do you need to use the car through the peak period when the rebate is available). For consumers that could benefit from the rebates currently, it is unlikely that adding a rebate will shift the dial meaning the cost saving benefits for distributors and consumers would not be realised by this proposal.
6.	Are there any additional issues with the principles where guidance would be particularly helpful?	As noted above, the principles and the guidance need to ensure that the regulatory burden is not so onerous that there are no benefits that can be passed through to consumers.
7.	Do you agree the principles should be incorporated within the Code, rather than being voluntary principles outside the Code? Why, why not?	No, Meridian considers the principles should sit outside the Code as voluntary principles. The market has already begun incorporating pricing plans to provide price signals for consumers with distributed generation. The market should be left to create the necessary price signals to shift behaviour and for customers to inject. Mandating compliance this early on will stifle the ability for the market to adjust to how customers react, ie it will stifle innovation and reactiveness. Voluntary principles will assist distributors in their pricing methodologies, and also retailers when considering how to pass through. However, it provides the necessary flexibility for the market to adjust over time to meet changing consumer needs.
8.	Do you agree with the proposed implementation timeline for this proposal? If not, please set out your	No, Meridian does not support the Authority's preferred timeline. In Meridian's opinion the implementation of 1 April 2026 would be challenging.

	preferred timeline and explain why that is preferable.	Meridian's preferred approach would be for a voluntary system under which the implementation date is of less concern. However, if the proposal is implemented on a mandatory basis Meridian would support a later implementation date, to allow sufficient time for the correct processes to be set up and tested and sufficient time to incorporate the network pricing changes. We recommend the Authority engage with the sector as decisions are made to determine what a reasonable and appropriate timeframe would be.
9.	Do you agree the proposal strikes the right balance between encouraging price-based flexibility and contracted flexibility? Why, why not?	Yes, Meridian agrees that the proposal strikes the right balance between price-based flexibility and contracted flexibility. However, ultimately distributors are best placed to work out the most effective tools to drive investment in their networks, so it will be up to them to determine if the right balance has been struck.
10.	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?	Meridian is concerned that the proposal could lead to more significant wealth transfers. As noted above, the barriers to entry to distributed generation are still significant with many consumers being priced out of being able to access it. Given the rebate could change year on year it will not be able to act as a means to recover these costs. Therefore, it will only be wealthier consumers who can afford distributed generation that will be able to respond to this price signal. As the Authority has acknowledged, distributors will likely increase their charges to all customers to recover their maximum allowable revenue, which could lead to price increases for consumers who cannot afford distributed generation systems. Given the proposal is unlikely to act as an appropriate incentive for consumers there will then not be the benefit of distributors not having to invest in network requirements – ie they will still need to carry out this investment meaning there will not be a lowering of costs for consumers in the longer term.
11.	Do you agree that more prescriptive requirements to provide rebates will be less workable than a principles-based approach, and	Meridian strongly agrees that a prescriptive requirement would make the entire system less workable and would further stifle innovation.

	therefore should not be preferred? Why, why not?	
12.	Do you agree that a consumption-linked injection tariff would not be sufficiently targeted, and therefore should not be preferred? Why, why not?	Yes, Meridian agrees with the Authority's assessment that injection and consumption prices should be separate as they are not cost-reflective meaning it would be artificial to link the two. The pricing structure of distributed generation injections should reflect network benefits, rather than artificially mirror consumption charges.
13.	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?	Meridian considers that injection rebates should not mirror consumption charges, rather the rebate should reflect value to the network. While the proposed safeguards may act as a mechanism to prevent over-incentivising injection to the extent that it incurs additional network costs it could also make the rebate a lot more complicated. Furthermore, Meridian also agrees with the Authority that this approach would not be targeted enough and could lead to system inefficiencies with rebates being provided despite no network benefits.
14.	Do you agree with the objective of the proposed amendment? If not, why not?	Meridian agrees, in principle with the objective. That is, Meridian supports the appropriate incentives for mass market distributed generation to provide network benefits. However, as noted at various points in this submission Meridian is concerned that the proposal will not actually drive investment and deliver longer term benefits to consumers. Instead it would simply result in a wealth transfer to owners of distributed generation from other network users.
15.	Do you agree the benefits of the proposed amendment outweigh the costs?	No, Meridian considers that there are limited benefits to the proposal with a number of costs. The market is also already innovating to provide incentives for consumers to invest in distributed generation but it is still early in this process. The market should be able to self-regulate and respond to the feedback it receives from consumers swiftly to make it more desirable. The proposal is unlikely to shift the dial for people to begin investing in distributed generation as the rebates are unlikely to be significant enough to make it worthwhile.

		There are also technological costs that are relevant to the costs of the proposal.
16.	Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms of consistent with the Authority's statutory objectives in section 15 of the Electricity Industry Act 2010.	No, retaining the status quo and introducing voluntary principles would be Meridian's preferred option. As discussed above, this would allow the market to continue to innovate and develop the right incentives and signals for consumers. If this is mandated too early then this innovation will be stifled which will ultimately mean that the benefits of the proposal are not realised.
17.	Do you have any comments on the drafting of the proposed amendment?	Meridian has no further comments regarding the drafting of the proposed amendments.