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Competition Taskforce
Electricity Authority Te Mana Hiko
PO Box 10041,
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Via email: TaskForce@ea.govt.nz

25 March, 2025

To whom it may concern,

Thank you for the opportunity to provide feedback on the "Requiring distributors to pay a rebate when consumers supply electricity at peak times" consultation paper. Octopus Energy is a smart tech driven electricity retailer focused on accelerating New Zealand's transition to a clean energy future through innovative products and services that empower consumers.

As a retailer committed to the effective use of distributed energy, we have a strong interest in ensuring the regulatory framework supports customer investment in technologies like solar and battery systems. We believe that properly valuing the services these systems provide to the grid is essential for enabling an efficient, resilient, and low-carbon electricity system.

We welcome the Taskforce's work, as this reform has the potential to unlock significant benefits for both owners of solar panels and batteries as well as the broader electricity system. This aligns with Octopus Energy's vision of a more dynamic and participatory energy market where consumers can be rewarded for contributing to system efficiency.

Q1. Do you agree with the problem definition above? Why, why not?

We agree with the problem definition. As a retailer focused on customer empowerment, we see first hand the gap in price signals for distributed generation. Currently, customers with solar and battery systems receive incentives from some retailers, but currently there are very few distribution-level incentives to inject electricity during peak times, despite the significant network and transmission benefits this can provide. We currently offer two plans incentivising peak export the "Working on Sunshine" and "OctopusPeaker Battery Plan" both offer tiered export rates (23c/kWh peak, 10c/kWh off-peak, 5c/kWh night).Powerco and Orion have

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introduced an injection incentive. Orion is all year round (14c) but where consumption pricing is quite high. Powerco has a winter peak injection benefit (5c). While this is a good initiative, there is a distinct lack of wider price signals that limits the potential of distributed generation to help reduce network costs for all users. Additionally non network solutions such as batteries have real potential to reduce the need for transmission upgrades. We've seen growing interest in solar and battery systems, but improving the reward for benefits delivered to the system will encourage faster uptake.

Q2. Do you agree with these principles? Why, why not?

We support the principles. This approach appropriately balances the need for consistent requirements across distributors while respecting the unique characteristics of different networks. The principles addressing network benefits, sharing of value, consideration of incentives to encourage uptake, and practicality provide a sound framework for implementation.

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 agree with the initial focus on mass-market consumers as the prospect of additional income may get their investment decision across the line. As a retailer serving primarily residential, we believe mass-market distributed generation currently faces significant barriers. Unlike larger generators who often have bespoke arrangements with distributors or alternative motivations, mass-market consumers have limited motivations or bargaining power and many don't receive distribution-level compensation for peak injection.

Additionally we see there is significant opportunity in the small and medium commercial market for businesses and landlords to reduce their costs and/or add a revenue stream while also contributing to the grid, particularly sites with solar and battery.

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)?

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Yes, we support this approach. While flexible generation like batteries will likely provide the most significant network benefits, there are scenarios where inflexible generation can also provide value (e.g., solar generation that coincides with daytime peak demand in areas with large commercial loads). Ensuring that rebates are proportional to actual network benefits provides the right incentives without unnecessary exclusion.

Q5. Do you agree with the direction of the guidance that would likely accompany the principles? Why, why not?

We generally support the guidance direction outlined, particularly:

- Identifying areas where injection can provide network benefits based on forecasted constraints
- Linking the rebate level to the degree of network benefit provided
- Allowing flexibility in how distributors implement the rebates to account for different network characteristics

However, we recommend strengthening the guidance on transparency and information sharing. It would be good for retailers to have clear, timely information about where and when rebates apply to effectively pass these signals to customers.

Q6. Are there any additional issues with the principles where guidance would be particularly helpful?

It would be good to know what requirements there would be on retailers. We believe it's essential that retailers are allowed flexibility in how they pass these benefits on to customers. Retailers are best positioned to design products in ways that resonate with their specific customer base. This could include fully passing the benefit directly in the customer's export rate, or a mix of other options, e.g. partly on the export rate and partly on discounted other rates, or "shared" where the retailer is managing flexible demand/injection on the customer's behalf. Flexibility enables retailers to innovate and create products that maximise customer participation and ensure mutual benefit.

We would also like clarity around if there will be additional requirements or rules for retailers, and how retailers should handle potential misalignments between different time-based pricing structures (like our peak, shoulder, and night periods).

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Q7. Do you agree the principles should be incorporated within the Code, rather than being voluntary principles outside the Code? Why, why not?

We support incorporating the principles into the Code. Voluntary principles risk causing inconsistencies and delaying implementation. As a retailer operating across multiple distribution networks, we've observed significant variation in how distributors respond.

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 proposed timeline for implementation (April 2026) is reasonable. There should be sufficient time for consultations and confirmations to allow system changes to work effectively.

Q9. Do you agree the proposal strikes the right balance between encouraging price-based flexibility and contracted flexibility? Why, why not?

Yes, the proposal appropriately recognises both approaches have merits. Price-based signals provide broad accessibility for all consumers with distributed generation, while contracted flexibility can deliver more targeted and reliable responses.

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 agree with this assessment. The analysis in Appendix A seems to demonstrate minimal short-term bill impacts.

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?

We agree that a principles-based approach is preferable to prescribed rebates. Each distribution network has unique characteristics, constraints, and load profiles. A one-size-fits-all prescribed approach would inevitably be too rigid.

While the Authority should not look to prescribe the size or Time of Use banding of rebates, we would like to see some mandated structure around how rebates are delivered. These should be part of the EDB's regular tariff structure and included in the monthly invoicing and market reconciliation. We do not support less frequent

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rebates or discount processes, such as already occur once or twice a year for a few networks and are time-consuming for retailers and lack transparency for consumers.

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. We believe we should be providing customers with value where there is a clear system, and consumption-linked injection tariffs would be less targeted and therefore less efficient. While this approach has intuitive appeal due to its simplicity, it doesn't account for the varying network benefits that injection provides at different locations and times.

Q13. If this approach was progressed, do you think:

a) injection rebates should perfectly mirror consumption charges?

This does seem to be the fairest alternative approach, and could encourage more uptake of energy adoption but this wouldn't account for the cost of grid maintenance or time of use differences in the value of the energy that is fed into the grid.

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 proposed safeguards (adjustment factors, capacity limits) would help mitigate risks, but we still believe a principles-based approach provides better targeting and efficiency overall.

Q14. Do you agree with the objective of the proposed amendment? If not, why not?

We support the objective of ensuring distribution pricing appropriately incentivises investment in and operation of distributed generation.

Q15. Do you agree the benefits of the proposed amendment outweigh the costs?

Yes, we believe the benefits outweigh the costs. The implementation costs for distributors and retailers will be modest compared to the long-term system benefits of more efficient network investment, reduced peak demand, and greater customer engagement in demand-side management.

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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 the principles-based approach is preferable to the alternatives.

Q17. Do you have any comments on the drafting of the proposed amendment?

No.

Kind regards,

Pearl Little

Communications Manager, Octopus Energy NZ