New ways to empower electricity consumers

Climate Justice Taranaki submission to the Electricity Authority, 26/03/2025

1. Founded in 2010 and incorporated in 2015, Climate Justice Taranaki (CJT) [1] is dedicated to environmental sustainability, social justice and inter-generational equity - our collective ethical responsibility to current and future generations, human and non-human. Our vision is founded on, and underpinned by, Te Tiriti o Waitangi, Aotearoa New Zealand's constitutional document.

2. Composed of a broad range of people with varied expertise and life experiences, CJT has engaged respectfully with government on numerous occasions. CJT has submitted on many consultation papers, policies and Bills over the past decade, including several relating to energy transition[2] and offshore renewable energy[3].

Requiring distributors to pay a rebate when consumers supply electricity at peak times

3. CJT welcomes the proposal to provide better incentives for distributed renewable energy generation to feed into the network, to help meet peak demands and reduce network costs which indirectly helps to lower household power bills. Fundamentally, access to clean energy is a basic need and should be provided as an essential service for the common good, rather than for corporate profits[4]. Energy equity is paramount. This submission answers some of the set questions (Q) in the consultation paper - *Requiring distributors to pay a rebate when consumers supply electricity at peak times*[5].

4. We agree that network stability is critical and customers who inject electricity into the grid should be rewarded fairly (Q2). We refer to these customers as 'prosumers' herein.

5. The proposal limits the rebate to peak times when demand is high and to "*locations where injection can provide network benefits*". While we can understand the rationale behind this from the transmission perspective, we find the proposed principles for pricing injection too narrowly focused on 'network benefits'. We prefer the consumption-linked injection tariffs rather than the proposed principles-based rebates (Q2).

6. Importantly, increasing distributed generation (DG) any time anywhere could help to lower the need for large scale generation and network investment by reserving/extending our hydro storage capacity[6]. This can increasingly replace the need for thermal generation[7] from fossil fuels while increasing the resilience and affordability of the whole system.

7. Rewiring Aotearoa modelled that if a 9kW system was installed on half of NZ's homes or 30,000 farms had a 300kW system, the 11% extra solar generations from April to June in a dry year would equate to 225GWh of 'extra' production which is around 5% of NZ's total hydro storage capacity. "*If it had been there in 2024, it would have equated to an extra 18 days of hydro storage, based on the trajectory of national storage in July/August… when hydro storage bottomed out in 2024, the wholesale price averaged 80c/kWh for a week, with coal and gas generation setting the price. 18 days earlier, when hydro storage was higher, the wholesale price averaged only 37c/kWh for that week. If we had that extra solar capacity… it would have more than halved the wholesale price at the worst time of the crisis because solar would have kept more water in our lakes*", Rewiring Aotearoa (website accessed on 17/03/2025)[8].

8. Based on such national benefits, all prosumers ought to be rewarded fairly including 'inflexible generation' without batteries, and not only those feeding into the network at peak times and at certain locations (Q4). The reality is that not many households would be able to afford having excessively large batteries to be able to export power at peak times.

9. Where the network is "export constrained", the grid owner and distributors should invest in upgrading the network capacity and/or provide other supportive measures to prosumers to facilitate effective use of the excess generation such as via 'virtual power plants' (VPP)[9] to facilitate trading and sharing (e.g. Waihake Energy Share)[10], [11]. For isolated communities and with increasing extreme weather events, investment in stand-alone power systems would be highly beneficial[12]. Moreover, legislative and other mechanisms that support vehicle-to-grid (V2G) and bidirectional EV charging[13] would offer further storage capacity, flexibility and community participation[14].

10. We support the introduction of a requirement in the Code that distributors must pay a rebate when consumers supply electricity at peak times, and that it should be mandatory rather than being voluntary (Q7). We ask that such rebates also be required in dry years and other extended periods of extra constrained supply.

11. We agree that the Code amendment should come into effect no later than 1 April 2026 (Q8).

12. We do not accept the endorsement of 'wealth transfer' when it relates to financial penalty on households that are unable to install solar and batteries. It is extremely unfair when distributors are allowed "*to recover their maximum allowable revenue (MAR) as set by the Commission*" by increasing the charges that apply to all customers which are then passed through by retailers (Q10).

13. For example, in 2024, Vector saw adjusted earnings of $365.2 million and a group net profit after tax of $79.9 million for continuing operations, generating a full year dividend of 24 cents per share[15], yet it was still reluctant to commit to "*high levels of capital investment around areas where there is significant uncertainty...*" In the same year, Powerco's revenue was $549.8 million, with adjusted earnings of $304.1 million[16]. We do not think it is reasonable or ethical for companies with such profits to recoup the costs of prosumers' justified rebates by increasing charges on all customers. We think more prescriptive requirements on rebates are well worth considering, to avoid further exacerbating existing inequity (Q11).

14. It is our view that injection rebates should mirror consumption charges, especially during peak hours when the need is the greatest and network benefits are expected to be high. This is the fairest and most effective way to reward and incentivise investment in batteries and habit change which help to shift some of the demand off the peak (Q13). The introduction of net metering would be a relatively transparent and simple way of progressing this.

Improving pricing plan options for consumers: Time-varying retail pricing for electricity consumption and supply

15. In principle, we support the proposal[17] to require large retailers to offer time-varying prices for consumption and injection, with the intention to shift more power demand to off-peak hours and incentivise more on-peak injection (Q3).

16. Several retailers already have such price plan options. E.g. Ecotricity has an ecoSaver plan with up to 50% cheaper off peak rates for EV owners who don't have solar, and an ecoSolar plan with 21c/kWh for exported solar during peak hours and 16c at off-peak.

17. The proposal gives too much emphasis on the economic benefits and costs on retailers while neglecting the impacts on household consumers (Q4). It is only fair for retailers to pay prosumers the same (not lower) price for the electricity they generate as what they are being charged to consume (See our point 14 above).

18. We are not sure that making retailers responsible for the promotion of new pricing plans is the most effective or beneficial to consumers, given the proliferation of advertising bombarding consumers at every corner. The Electricity Authority should have a role in offering independent, objective and comprehensive comparisons and announcements of different pricing plans, in part through Powerswitch[18] (Q8). Consumer NZ has called for standardisation of power bills as a start to help consumers understand and compare options[19].

19. Careful considerations must be given to the detailed design, implementation and monitoring of the proposed changes, to avoid any adverse effects on energy equity and hardship (Q13).

20. How will the proposal ensure that any price hike during peak hours will not disproportionately affect low-income earners and big families who cannot avoid high use during peak hours nor afford solar panels and batteries to enable power export? Would at least two sets of time-varying prices for consumption be better than just one, to give options to households under different circumstances?

21. The monitoring of 'success' must go beyond the number of kWs consumed and injected, and include socio-economic indicators at the household and community level (Q11).

22. Furthermore a major overhaul of the electricity market system[20] is needed to accelerate transition away from fossil fuels, reduce emissions, improve efficiency and lower overall energy demand while ensuring energy sufficiency and equity. Breaking up the gentailers would be a very good start. Reversing some of the changes made to the Commerce Act 1975 and the State Owned Enterprises Act 1986 driven by the neoliberal agenda would be essential[21], as hard as it seems in the present political climate.

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[1] https://climatejusticetaranaki.info/
[2] https://climatejusticetaranaki.info/wp-content/uploads/2023/11/cjt-sub-mbie-energy-transition-nov23-final.pdf
[3] https://climatejusticetaranaki.info/wp-content/uploads/2023/04/cjt-submission-on-mbie-enabling-offshore-renewable-energy-6april23-final.pdf
[4] https://350.org.nz/generating-scarcity-report/
[5] https://www.ea.govt.nz/documents/6481/2A_consultation_paper_web_version_7a6SkWd.pdf
[6] https://theconversation.com/nzs-electricity-market-is-a-mess-rolling-out-rooftop-solar-would-change-the-game-236943
[7] https://www.transpower.co.nz/system-operator/notices-and-reporting/market-operations-weekly-report
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