The NEW ZEALAND CENTRE for Sustainable Cities
Te pokapū rōnaki tāone-nui

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Submission to the Electricity Authority on changes to electricity payment rules

(Energy Competition Task Force's Package Two initiatives 2A, 2B and 2C)

To: taskforce@ea.govt.nz

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Who we are

We are a group of researchers interested in energy-related issues, affiliated with the **NZ Centre for Sustainable Cities**.[2] We are interested, inter alia, in energy sector solutions which are equitable (especially to low income households), reduce costs, provide flexible alternative supply arrangements and ensure that the energy system is as sustainable and resilient as possible.

This submission does not address all the questions posed in the consultation document but does respond to some questions that we believe are important.

Preamble: need for change

Our view is that rooftop solar, and other types of small-scale electricity generation, supplying energy into the electricity network at peak times, significantly benefits New Zealand's electricity system, and needs to be better rewarded. In particular, we are interested in the incentives for people to invest in community micro-grids to lower their costs of electricity.)

We believe that the price retailers pay to people who sell power to the network from solar systems should reflect closely the true value of that power, and consider that the

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new rules would benefit almost all New Zealanders over time, as less demand on the electricity system would lower lines costs, which fall on everyone paying power bills. We also believe the new rules should increase investment in new renewable distributed generation and battery storage, both of which contribute to energy system sustainability and resilience.

In this submission we have focused on initiative 2A. However, briefly touching on initiatives 2B and 2C, we agree that there is a case, in the task force's words, to "enable consumers to more actively manage their own energy use and costs." Moreover, we support the view that "time-varying price plans should already be a staple of retail offers, and their low availability reflects a range of issues that are unlikely to be resolved in aggregate soon without direct action." And we agree that "Time-varying plans represent a basic step forward in price-plan innovation, consumer engagement, and supporting efficient investment by consumers, which some retailers have not prioritised for various reasons."

We would also emphasise that any electricity pricing solutions should be assessed with impacts on low-income consumers in mind. To that end, the Authority should commission research to investigate how households are impacted by and respond to pricing changes over time, and consider whether the findings should be followed by adjustments to pricing regimes to address these impacts.

We have some more specific views on initiative 2A.

Questions and answers on requiring distributors to pay a rebate when consumers supply electricity at peak times (Task Force Initiative 2A)

Q1: Do you agree with the problem definition?

A1: Yes, existing distribution pricing arrangements do not provide an optimal incentive for mass-market customers with DG to inject at times and locations where this would provide most network benefits.

Q2: Do you agree with the principles [for injection rewards for mass-market consumers]? And Q5: Do you agree with the direction of the guidance that would likely accompany the principles?

A2 and A5: We agree that the amount of rebate provided should be generally based on the benefit the distributed generation (DG) provides to the network/system. As a practical matter, distributors should be allowed to cap rebates (incentives) for injection above a certain capacity, but such caps should err on the high side in order to generally

strongly incentivise DG and battery storage investments. Box 3 (p.15)[3] refers to incentives that allow for "practicality of implementation" but this might allow EDBs to claim that only the crudest of rewards are practicable. We believe the EA should insist on EDBs making every effort to provide such incentives.

Q7. Do you agree the principles should be incorporated within the Code, rather than being voluntary principles outside the Code?

A7: We have a strong preference for a Code setting out the principles and means of enforcement, as clearly as possible.

Q9. Do you agree the proposal strikes the right balance between encouraging price-based flexibility and contracted flexibility?

A9: We do not have a firm view on this.

Q12. Do you agree that a consumption-linked injection tariff would not be sufficiently targeted, and therefore should not be preferred?

A12: It might not be perfectly targeted, but it has advantages in terms of simplicity and legibility.

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?

A13: The injection rebates (rewards) need not perfectly mirror consumption charges, but should approximate them. As noted above, there could be simple safeguards such as a capacity threshold (i.e. not requiring rebates for injection above a certain capacity; and the EDB could base the level on how much injection the network could handle on average from each ICP without causing additional costs).

Thank you for the opportunity to make this submission.

[3] https://www.ea.govt.nz/documents/6481/2A_consultation_paper_web_version_7a6SkWd.pdf