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To: The Energy Competition Taskforce
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Competition remains key to retail market innovation

Genesis Energy Limited **(Genesis)** welcomes the opportunity to comment on the Energy Competition Taskforce's **(the Taskforce)** *Improving pricing plan options for consumers: Time-varying retail pricing for electricity consumption and supply* consultation paper.

Genesis agrees with the Taskforce about the potential benefits of demand side flexibility and distributed generation resources. As part of our Gen35 Strategy, we aim to achieve 150 MW of demand-side flexibility in our customer book by the 2028 financial year. This reflects the fact we see significant benefit (under existing market settings) in attracting customers with demand side flexibility capability. We are already progressing towards this target. Genesis is New Zealand's largest distributed energy retailer with 29,100 household solar customers and 26,900 EV customers. Genesis is now purchasing c77GWh p.a. of solar export from customers. January was a record month with 5% of Genesis's total energy supply coming from customer exports. Peak customer solar generation is now around 226MWp. We expect mass-market consumer adoption of solar and batteries will continue to grow rapidly driven by decreasing technology costs, improving functionality, and increasing consumer understanding and acceptance. This will occur even without the proposed regulatory intervention.

Genesis agrees there are potential system and consumer benefits from demand side flexibility, and that distributed generation resources such as rooftop solar and batteries can help empower consumers to manage costs and support system flexibility. We agree with the Taskforce that retail pricing should be (and, in our view, already is) efficient (cost-reflective). Genesis expects that price plan innovation will continue to be driven by consumer demand and the competitive retail market. Genesis already offers a day/night plan to consumers with smart meters configured to enable this. In future, as our technology and billing platforms enable it, Genesis plans to offer a wider range of time-varying plans.

We do not agree with the Taskforce's assessment that a lack of competition is undermining price plan innovation in the retail market. Nor do we consider the case for regulatory intervention to mandate time-varying consumption plans to be particularly strong. As noted in the Paper, there is already a wide range of price plan types available in the retail market to consumers who wish to adopt them. Competition is the best driver of dynamic efficiency: retailers who can benefit from shifting load away from peaks, or from reducing their exposure to the spot market by leveraging a customer base with flexible solar, are already incentivised to do so by the potential benefits they can reap from doing so, for example from reduced wholesale electricity costs. Conversely, premature regulatory intervention risks stifling innovation and diverting retailer resources away from pricing strategies aligned to their comparative advantage. One size does not fit all: it is not invalid for retailers to elect to pursue strategies that do not feature time-varying pricing. It will therefore be critical for the design of any regulations requiring time-varying consumption plans to be flexible and not overly prescriptive.

A related risk is that the incentives and the objectives of the proposal appear to be misaligned. That is, requiring retailers to pass-through the full benefits of flexible consumption and injection will deprive retailers of meaningful incentives to grow the number of customers who can provide flexible demand and injection. This cuts against a fundamental principle of competitive markets and is likely to frustrate the stated objectives of the proposal. Genesis considers that the full potential benefit of demand side flexibility is only likely to be realised where, to the fullest extent possible, consumers and participants across the supply chain are able to put it to its highest value use at any given time.

There is a meaningful risk the proposed regulatory options will be distortionary and result in cross-subsidies between consumers from different demographic or geographic groups. The proposed regulations will increase system-wide costs, including from upgrading billing platform upgrades to service what may be a relatively small number of potential customers, and these costs will need to be recovered from consumers. In contrast, there is a risk the benefits are disproportionately captured by a smaller pool of consumers. The Taskforce itself notes that, at present, only a very small percentage of consumers have rooftop solar and batteries necessary to respond to time-varying prices, and that this is a reason not to make time-varying plans the default for injection. All of which is to say, the costs of the proposed regulatory options may be less than the benefits. We therefore urge the Taskforce to conduct a comprehensive cost-benefit analysis of any regulatory option, and that this cost-benefit analysis cover distributional impacts.

There is also a risk of unintended consequences. The Taskforce is likely aware of the emerging issue of a so-called ‘second peak’ occurring later in evenings, caused by smart systems with the ability to automatically ‘switch on’ at specified times in response to time-varying price plan incentives. As these novel demand peaks are not stochastically smoothed in the way traditional peaks are (i.e. because traditional peaks are a function of general human behaviour patterns, rather than an instantaneous automation), they create potentially significant risks for grid and network stability and resilience. Future technology innovations leveraging automation and AI are likely to further alter traditional electricity consumption patterns. This highlights the risks of regulatory interventions which necessarily tend to reflect a specific ‘point in time’ and may not provide necessary flexibility for future technology change.

We do not support the proposal to require retailers to offer time-varying *injection* plans. Genesis does not have the technology and billing platform capability to offer this, nor will we have this capability within the timeframe contemplated in the Paper. Distributed generation for households is a more novel, nascent market, and therefore mass-market regulation of time-varying injection plans is premature. This is well-reflected in the Paper, which shows a very small number of consumers have the capability to benefit from time-varying injection plans. Regulating to require all retailers to offer these plans is therefore premature. Retailers that can offer time-varying plans to reward injection are already incentivised in a competitive market by the potential to capture greater market share, and those who cannot face market discipline in the risk of losing market share. These incentives are sufficient and appropriate for the nascent market for retail solar and batteries.

We see risks with requiring retailers to proactively offer time-varying plans to targeted consumers. As noted in the Paper, these plans will likely not be suitable for all consumers. Realising the benefits from time-varying plans requires consumers to adopt behaviours that optimise energy use over a sustained period. There is a material risk that consumers who switch to time-varying plans may not benefit from the switch over a given time period. This is borne out by the Taskforce's own analysis, which shows modest potential financial benefits from switching to time-varying plans. It is also our experience that many consumers also value simplicity and certainty when it comes to choosing electricity retail plans. As noted recently by the Australian Energy Market Commission (AEMC) in its consultation on its review of electricity pricing in Australia, tariffs that "more precisely reflect network costs could, however, be much more complex. This can make these tariffs more difficult for consumers to understand and respond to, and also more difficult for energy supply businesses to incorporate in their customer offerings."[1]

Even where consumers can achieve financial benefits from switching to time-variable pricing plans, it is important to also consider other non-financial costs and benefits such as opportunity cost (effectively, the value consumers place on the time they save on fixed price variable volume, or FPVV plans) and risk management costs embedded in FPVV plans (the value consumers place on outsourcing risk management to their electricity retailer). Any assessment of the extent to which consumer uptake of time-varying plans reflects a lack of competition must consider these factors, which are highly relevant to consumer decision-making. Given the risks noted, as an alternative to the Taskforce's proposed proactive offer requirements, we suggest the Taskforce consider embedding criteria for identifying appropriate consumers into its online switching platform (currently Powerswitch), with retailers then directing consumers to the platform.

In summary, Genesis

- Supports the Taskforce's objectives of enabling system and consumer benefits through demand side flexibility and distributed energy resources;
- Considers there may be a case for requiring retailers to offer time-varying *consumption* plans, subject to a) a thorough cost-benefit analysis demonstrating this will be net beneficial to NZ Inc. and will not be

[1] See page 22 of the AEMC's consultation paper: https://www.aemc.gov.au/market-reviews-advice/pricing-review-electricity-pricing-consumer-driven-future

distortionary; and b) regulatory design that supports flexibility and is not overly prescriptive. Any regulatory intervention should also be clearly consistent with the Government Policy Statement, identifying a clear role for Government.[2]

- Does not support the proposal to require all retailers to offer time-varying injection plans;
- Does not support the proposal to require retailers to proactively offer time-varying plans to consumers.

We have made further detailed comment in response to the questions in the table below.

Yours sincerely,

[redacted]

Mitch Trezona-Lecomte
Senior Advisor, Government Relations and Regulatory Affairs

[2] Paragraphs 6, 7 and 8 of the GPS.

Consultation Questions – Genesis Energy response

Q1. Do you agree the issues identified by the Taskforce are worthy of attention? If not, why not?	The evidence cited by the Taskforce shows time-varying consumption plans already make up around one-fifth of plans (having briefly reached 28%). This suggests there are not major barriers preventing consumers who wish to take up time-varying consumption plans from accessing them. We do not agree the evidence suggests a lack of competition is undermining development of a demand-side flexibility market. Rather, the evidence suggests progressive growth in availability of time-varying consumption plans, with even time-varying injection plans available despite the very small number of consumers with solar and batteries. The suggested lack of uptake can be explained by rational consumer behaviour and technology constraints. As noted by MDAG, the relative stability in electricity prices in New Zealand historically has meant the potential savings in costs from responding to dynamic prices have been quite modest. However, technology change (smart meters, rooftop solar, batteries) and increasing price volatility resulting from ongoing renewables growth will make dynamic pricing relatively more attractive.[3] We agree with the Taskforce that time-varying consumption and injection plans will not be suitable nor beneficial to all consumers. Ultimately, consumers will make decisions about the best plan for them, based on their circumstances and priorities, factoring in opportunity costs. In the case of Genesis, the main 'constraint' to enable greater offering of time-varying consumption plans has been the need to upgrade our billing platform. We would like to and plan to offer a wider range of time-varying plans once our new billing platform has the capability to service this, likely in the next 1-2 years. However, it is unlikely we will be able to comply with this requirement by April 2026. Genesis already offers time-varying (day/night) plans to consumers with smart meters configured to enable this. For most customers, smart meter configuration can be done remotely, at a modest cost of around $10-15. Day / night plans are available to customers with and without electric vehicles.
Q2. Which option do you consider best addresses the issues and promotes the Taskforce's main objective? Are there other options we have not considered?	On balance, we believe the status quo option best addresses the issues and promotes the Taskforce's main objective. As noted, retailers are already incentivised under current settings to try and 'capture' the benefits from leveraging a customer base with flexible demand side resources such as rooftop solar and batteries. We note the Taskforce's preferred option is a broader, more detailed (i.e. maximalist) option compared to the recommendations made by MDAG. The proposed regulatory intervention <u>will add cost into the system</u> by potentially forcing retailers for whom time-varying pricing is not a comparative advantage to allocate scarce resources away from pricing strategies aligned to their comparative advantage towards development of time-varying pricing plans. These costs will include

[3] Appendix A, pg. 117-118: Price discovery in a renewables-based electricity system: Final Recommendations PAPER 2023

	investing in billing platform upgrades to service what may be a relatively small number of potential customers. All of which is to say, the costs of the proposed regulatory options may be less than the benefits. We do not agree with the proposal to require all retailers to offer time-varying injection plans. Genesis does not have the technology capability to offer these plans and will not be able to comply without significant cost to upgrade our billing platform and related systems. Doing so will incur direct costs (financial and resourcing) as well as opportunity cost, as we would need to divert resources away from other priorities. These costs will be passed onto consumers. As noted in the Paper, the number of consumers who can benefit from time-varying injection plans is very small (fewer than 8000 ICPs with solar and battery systems). Mandating provision of injection plans therefore seems premature. Indeed, the Paper itself refers to this when explaining its reasoning for not proposing to make time-varying injection plans the default offer. The benefits of this proposal are likely to be outweighed by significant costs of doing so. Retailers that can offer time-varying plans to reward injection are already incentivised in a competitive market by the potential to capture greater market share, and those who cannot face market discipline in the risk of losing market share. These incentives are sufficient and appropriate for the nascent market for retail solar and batteries. The case for mandating provision of time-varying consumption plans is stronger, particularly as the benefits are likely to be greater and the costs more modest. However, competition continues to be the best driver of innovation, and will continue to lead to development of greater options for consumers.
Q3. Should we require retailers to offer a price plan with time-varying prices for both consumption and injection? Why or why not?	No further comment – see responses to other questions.
Q4. Do you have any feedback on the design requirements?	Mass-market retail prices are already cost-reflective, and therefore it is fair to assume pricing for time-varying plans already available to consumers are cost-reflective. The proposed regulatory options will add costs into the system, while the detailed, prescriptive design proposals around ensuring pass-through of benefits to consumers risk concentrating capture of the system-wide benefits among the relatively few, typically more affluent consumers with the technology systems to respond to time-varying pricing. Regulatory design should therefore avoid detailed prescription and allow retailers flexibility. Any reduction in network costs may not be realised for many years. Therefore, the benefit to the retailer from reduced peak consumption may not be received by the retailer until after several years. As a result, there may be a misalignment with retailers' annual pricing processes. And as noted by the Taskforce, there is a risk any benefits from reduced network costs are absorbed back into regulated revenue allowances. See our comment below under question 9 regarding the Taskforce's proposed monitoring regime. Regulatory requirements where compliance cannot be accurately assessed should not be imposed.

	Finally, we note it seems anomalous to impose specific design requirements on time-varying plans while FPVV price plans are not regulated in this way.
Q5. Is there a risk that injection rebates will not be passed through to the consumers targeted? If so, how could we safeguard against this risk?	No further comment.
Q6. Which retailers should be captured by the proposal and why?	We disagree with the proposal that the regulations should apply on the basis of market share. In principle, regulations should apply generally. Adopting a market share threshold may create perverse incentives for retailers who do not wish to incur the obligation to offer time-varying plans and is likely to be more administratively burdensome than regulations that apply generally. We recommend whatever regulations that are progressed apply to all retailers.
Q7. What are your views on the proposed timeframe for implementation of 1 January 2026? Would 1 April 2026 be preferable, and if so why?	Genesis is partway through a significant upgrade to our billing platform, and as a result will not be able to offer time-varying consumption (or injection) plans in January 2026. We may be able to offer time-varying consumption plans as prescribed in the proposed regulations in April 2026 at the very earliest. As noted, we do not support mandatory time-varying injection plans, as we do not have the technology capability to offer these.
Q8. What are your views on Part 2 of our proposal that would require retailers to promote the time varying price plans?	Calculation of expected benefits will be based on historical aggregated usage profiles, whereas realisation of benefits will depend on future behaviour and energy use patterns. There are significant risks to retailers from the requirement to proactively offer time-varying plans to certain consumers: • It will be difficult to identify customers who are likely to benefit from these plans, particularly where a consumer is not an existing customer. Retailers do not always have access to necessary information about a consumer’s rooftop solar or battery system. For injection plans specifically, even where a consumer has solar and a battery, additional detailed information is needed to determine whether the battery has appropriate functionality to support flexible export. • The consumer benefits of such plans are highly dependent on consumers being able to actively manage and optimise their electricity use. There is a risk consumers may not benefit, or may not feel they have benefitted, from switching to time-varying plans. • The suggestion proactive offer requirements include a requirement to represent to prospective consumers the scale of potential financial benefits is highly risky. If this requirement is included, an alternative solution may be to integrate criteria for identifying appropriate customers into the Taskforce’s online switching platform (currently Powerswitch).

Q9. What should the Taskforce consider when establishing the approach to and format of the reporting regime?	We agree, any regulatory proposal should include a robust monitoring regime, provided such a regime is 'right-sized' to avoid adding unnecessary compliance costs to retailers. The proposed content for retailer reporting seems potentially broad and could therefore be overly burdensome. For example, reporting the information in Table Two could be onerous and may include information that is commercially sensitive. Moreover, these additional reporting requirements would be imposed at a time when retailers are also facing other additional compliance costs, including as part of the Taskforce's Retail Market Monitoring Project. The requirement that time-varying plans reflect relative economic costs and benefits will likely be impractical to monitor, and compliance will be highly difficult to determine. The key difficulties with monitoring and compliance will be identical to the difficulties retailers will face implementing these proposed requirements (see our response to question 4). Complexity is likely to be increased by the fact different retailers will approach pricing strategies differently, making comparison hard.
Q10. Should the Taskforce include a sunset provision in the Code, or a review provision? Why?	Yes. We agree it is good practice to review regulations after a period of time to assess their effectiveness. There is potential for the benefits of time-varying price plans to decrease over time as technology enables greater demand-side flexibility. That is, as penetration of flexible energy resources such as batteries increases, system-wide demand profiles may materially change, and the potential benefits from reducing peak demand may decrease.
Q11. What are your overall views on Part 3 of the proposal?	No further comment.
Q12. What are your views on Part 4 of our proposal to amend the Code to require that consumers are assigned to time-varying distribution charges, that retailers provide half-hourly data to distributors for settlement	There is a risk requiring retailers to provide distributors with half-hourly data means distributors will not feel compelled to pay for this data. Retailers, like Genesis, already make this data available to distributors, at cost. Mandating this may result in the cost being passed onto consumers.
Q13. Do you agree with the objective of the proposed amendment? If not, why not?	No further comment.
Q14. Do you agree the benefits of the proposed amendment outweigh its costs?	We strongly encourage the Taskforce to conduct a full cost benefit analysis and intervention logic for Package 2A, B and C as a coherent, combined set of regulations. The ability of households to benefit from time-varying pricing can be highly variable, for example working households may have little ability to shift demand into off-peak periods. Care must be taken to ensure such households are not adversely impacted. The cost-benefit analysis should therefore consider distributional impacts of the proposal. This is consistent with the Government's expectations for regulatory agencies as outlined by The Treasury, specifically:[4] • Undertaking systematic impact and risk analysis, including assessing alternative legislative and non-legislative policy options, and how the proposed change might interact or align with existing domestic and international requirements within this or related regulatory systems.

[4] https://www.treasury.govt.nz/sites/default/files/2015-09/good-reg-practice.pdf

	• Making genuine effort to identify, understand, and estimate the various categories of cost and benefit associated with the options for change. We do not agree the proposal will create the competition benefits cited in the Paper. Indeed, as noted elsewhere in the Paper, the regulatory proposals are just as likely to dampen competition or undermine the competitive advantage of retailers who already offer time-varying consumption or injection plans. We note the potential financial benefits to consumers cited in the Paper are modest. So far as we can tell, the 'consumer financial impacts' assessment on page 55 did not attempt to factor in other, non-financial benefits or costs, such as consumers' opportunity costs, or the value consumers place on the range of risk management services embedded in typical FPVV contracts. When these additional factors are considered, the potential direct consumer benefits from switching to time-variable plans could be marginal. Hence, we urge the Taskforce to conduct a robust cost-benefit analysis of any regulatory proposal to ensure the benefits are likely to materially exceed the costs.
Q15. 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 Taskforce's statutory objectives in section 15 of the Electricity Industry Act 2010.	See our comment above.