12 FEBRUARY – 26 MARCH 2025

New ways to empower electricity consumers

We'd like to give you more control over your power use and costs. Here's what you need to know about our proposed rule changes, and how to have your say.

ELECTRICITY AUTHORITY
TE MANA HIKO

We want to change some of the electricity industry rules to give people on standard power plans (individuals and businesses) more control over their power use and costs. The new rules would:

- make sure all power companies of a certain size offer a pricing plan that gives you cheaper rates for off-peak electricity
- make sure power companies pay people who sell power to the network from solar systems a fair price that reflects the true value of that power to the local network.

These changes would encourage more households and business owners to move their power use away from peak times. They also encourage people with solar systems to sell power into the network when demand – and the price they get – is highest.

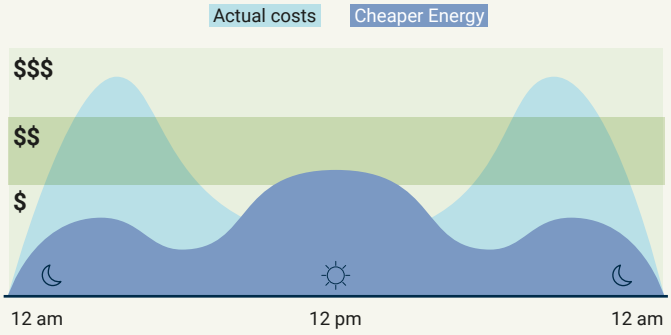
This benefits all New Zealanders over time, because less demand on the electricity system leads to lower lines costs, which we all pay through our power bills.

The information below explains our proposed changes and how you share your feedback to help us decide on rule changes.

We developed these proposed changes under the Energy Competition Task Force. The Electricity Authority and Commerce Commission set up the Task Force to improve the electricity market for all New Zealanders.

Visit **ea.govt.nz/taskforce** for more information.

Above: Power prices are lowest when demand is lowest (off-peak) but most people pay a higher fixed rate for the power they use.



Above: People on time-of-use plans use more power when it's cheaper (off-peak) and less when it's expensive.

Proposed new rule: All large power companies must offer their customers at least one time-of-use plan

Our proposed new rule would apply to the biggest power companies who sell power to 83% of all households and businesses.

In October 2024, we surveyed power companies and found that:

- none of the six largest power companies currently provide a time-of-use plan to all customers
- some of these power companies do provide time-of-use plans to some customers, usually electric vehicle owners
- some power companies have said they plan on offering time-of-use plans in the future.

What is a time-of-use plan?

Power prices are most expensive when demand is high (peak), and cheapest when demand is low (off-peak), but most people pay a fixed rate for power (fixed costs in the picture above).

Time-of-use pricing plans offer cheaper power at off-peak times, and more expensive power at peak times. This means you can save money by using more power when it's cheap, and less when it's more expensive.

The peak times are typically on weekday mornings when everyone's getting ready for the day (7–10am) and evenings when everyone's cooking dinner and running heaters (5–9pm). Off-peak times are usually overnight, in the middle of the day or on weekends.

Power is cheaper off-peak because it's easier and cheaper to generate enough power to meet the lower demand at these times.

How much could I save with a time-of-use power plan?

If you're careful about when you use the most power, you can reduce your power bills by about 20%. But if you don't change your habits, you could end up paying more than you would on a fixed-rate plan.

Are time-of-use plans good for everyone?

If you use a lot of electricity for things like for charging an electric vehicle – and you can run these during off-peak hours – you could save a lot.

If you can't change your electricity habits, a time-of-use plan is unlikely to save you money.

Proposed new rule: All large power companies must offer at least one ‘time-varying’ rate for power they buy from people with solar systems

Our proposed new rule would apply to all large power companies who sell power to 83% of all households and businesses.

What’s a ‘time-varying buy-back’ rate?

Power companies already pay people when they supply power to the network through their rooftop solar systems. Most power companies offer a ‘fixed buy-back’ rate, no matter how valuable (or not) the power is when it’s supplied. ‘Time-varying buy-back’ rates ensure the amount paid reflects the value of the power when it’s supplied. Only a few smaller companies offer a ‘time-varying buy-back’ rate.

Our proposal would more fairly reward consumers who have rooftop solar and batteries and encourage more people to make that investment. It would also reduce power bills for everyone over time as it lowers the costs of providing power at peak times.

How we propose power companies promote these plans

Under our proposed rule changes, power companies would have to promote their plans to their customers in three ways:

1. show time-of-use and ‘time-varying buy-back’ plans on their website
2. include the plans on our consumer switching website (currently Powerswitch)
3. proactively offer time-of-use and ‘time-varying buy-back’ plans to the customers likely to benefit.

Proposed new rule: Lines companies must pay a rebate when people supply power when it's needed

People with rooftop solar and battery systems can supply power to the local electricity network. This can reduce demand on the network, which lowers the lines costs we all pay for through our power bills. This proposed new rule may encourage more people to invest in rooftop solar and batteries.

The rebate would:

- only apply when people supply power at peak times and where it saves lines companies money
- go to power companies who pass savings onto those who supplied the power (through the proposed time-varying buy back rates – see page 4).

We're considering three options for how lines companies set the rebate:

1. Lines companies follow principles when deciding the rebate. This option has less strict rules but would enable lines companies to design the rebates to match the value the power from solar brings to the local network, considering local conditions.
2. All lines companies use one formula. This option gives lines companies clearer rules to follow but does not allow them to match their rebate to the value the power from solar brings to the local network.
3. Each lines company links the rebate to the rates they charge for power use. This option is easier to implement but does not enable them to match their rebate to the value the power from solar brings to the local network. This is because power use rates aren't always an accurate measure of the cost of power at particular times.

Key points

- Each local power network has different levels of demand (total power used in an area) and capacity (how much 'space' there is on the network) – and these both change with time.
- We think the rules should flexible enough so the rebate reflects the local levels of demand and capacity – and be able to change.
- This would mean only people who supply power when it's needed would receive the rebate.

I have solar panels on my house but no battery. Would I get a rebate?

The rebate is for power supplied at peak times (mornings and evenings), so if you don't have batteries, it's unlikely you will be able to supply power at peak times. This is because batteries store solar energy from the middle of the day so you can supply it at peak times.

How much is the rebate?

The rebate is not yet decided, but our proposed new rule would make lines companies and power companies pay a rate that reflects the value of the power you sell from your solar system. We would like your feedback on the three options for deciding how lines companies decide the rebate.

Will this push up prices for people without rooftop solar?

We expect any short-term price rise would be negligible (1 cent/month), but everyone would benefit from cheaper power bills over the long term.

How to provide feedback

You can provide feedback by downloading and completing the survey at the end of this guide. Printed responses can be sent to us via post, and digitally completed or scanned responses can be sent to us via email. You can also talk to our team to provide feedback over the phone.

Feedback is due by 5pm, 26 March 2025.

taskforce@ea.govt.nz

Electricity Authority, PO Box 10041, Wellington 6143

04 460 8860

For more information visit ea.govt.nz/taskforce.

Publishing feedback

We will publish all survey responses on our website alongside your name and organisation (if this applies) but we won't publish your contact details. If you think we should not publish any part of your feedback, please let us know what parts and why.

Feedback form

This survey is for individuals and business electricity users or organisations giving feedback on behalf of consumer groups. You can answer some or all of the questions in the form below.

We encourage industry participants to provide written feedback via the submission form in the consultation papers. Visit ea.govt.nz/controlyourpower for details.

* = *Response required*

Name:*

Greg

Firstname

Williams

Lastname

Organisation (if you are providing feedback on behalf of an organisation):

Terms and Conditions:

We will publish your name and organisation (if this applies), but not your contact details. If you think we should not publish any part of your survey response, please tell us which part shouldn't be published and why.

Please note, all survey responses, including parts you've asked not to be published, can be requested under the Official Information Act 1982. This means we would be required to release all surveys in full, unless there was a good reason under the Act to withhold it. We would consult with you if this meant releasing information you asked not to be published.

☑ I understand*

Do you agree more power companies should be required to offer time-of-use pricing?

◯ Yes ◉ No

Why, why not?

TOU plans are a well meaning nudge that increases costs for very little benefit. There are studies by Hogan and Borenstein that show that even the best TOU prices convey less than 30% of the spot price signal, which is the full strength indicator of value/cost of electricity in the market. It is an easy test. Just calculate TOU prices using historical prices and then compare them to actual spot prices using an R squared correlation function. It shows how good a prediction the TOU price is of the spot price. If it is low (and I'm predicting it will be) then the value of the TOU price is also very low. Your cost/benefit assessment is now about forcing retailers to offer TOU prices that provide a slight improvement over fixed prices and half of the time that signal will be too high and the other half of the time that signal will be too low.

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Do you agree more power companies should be required to offer a 'time-varying buy-back' rate?

◯ Yes ◉ No

Why, why not?

No, for the reasons stated above.

Do you agree only large power companies should be required to offer time-of-use pricing?

◯ Yes ◉ No

Why, why not?

It is more likely the extra costs retailers incur and pass on to consumers outweighs the benefit so making the large power companies do it makes no different to that equation.

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◯ Yes ◉ No

Why, why not?

Again, the Electricity Authority should do some research to estimate the leakage of the benefits.

Do you agree these power companies should be required to promote both the pricing plan and 'time-varying buy-back' rates to their customers?

◯ Yes ◉ No

Why, why not?

I don't think they should be doing them at all for the reasons stated above

Do you think the proposed ways of promoting them would work?

We're proposing that power companies would be required to:

- show time-of-use and 'time-varying buy-back' plans on their website
- include the plans on our consumer switching website (currently Powerswitch)
- proactively offer time-of-use and 'time-varying buy-back' plans to the customers likely to bene it.

◯ Yes ◉ No

If not, what else could they do?

e is a presumption these ideas provide a net benefit to consumers without evidence in support. The onus on the Electricity Authority is to make new rules only if they are confident they provide a new benefit. What evidence has it provided that makes it confident they do?

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Do you agree all lines companies should be required to pay a rebate when consumers supply power when it's needed?

◯ Yes ◉ No

Why, why not?

gree that consumption tariffs to recover network costs is outmoded now consumers can generate and store their own electricity but this means that LRMC pricing is distortionary and should be phased out.. The only symmetrical volumetric tariff that makes any economic sense is zero. If networks are going to enter the market then they should only do so if they are managing congestion and in NZ, distribution networks should consider offering nodal pricing into parts of the distribution network that are congested. There are successful trials of this in some networks in Australia.

I agree that consumption tariffs to recover network costs is outmoded now consumers can generate and

Do you agree that rules for this rebate should be a set of principles lines companies must follow, rather than stricter regulation?

◯ Yes ◉ No

Why, why not?

The principles should encourage networks to shift from LRMC to SRMC. As with TOU rates, the value of buy-back rates should be considered with an understanding of the faithfulness of the signal (LRMC vs SRMC signals) - see my point above. Managing demand peaks using LRMC rates was a 20th century solution for a world where the only economic alternative for consumers was not to consume. In the 21st century, consumers are generating and storing their own electricity and we have real-time control of them so we should be managing congestion using congestion prices in real-time, rather than falling back on demand peak management. The only good symmetrical volumetric network tariff is zero.

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Do you have any other comments on our proposed rule changes?

The problem statement and the economic arguments supporting the solutions are cursory. Without more

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Submitting your form

Direct all submitted forms to Electricity Authority, PO Box 10041, Wellington 6143 or taskforce@ea.govt.nz

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